

Independent review of the Coastal Trading Act 2012

<https://www.infrastructure.gov.au/have-your-say/independent-review-coastal-trading-act-2012>

1 November 2024

Dear Co-Chairs

Re: Independent review of the Coastal Trading Act 2012

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. Department of Industry, Science and Resources has recently forecast¹ that earnings for Australian exports of aluminium, alumina and bauxite are expected to rise from \$16 billion in 2023–24 to \$18 billion in 2025–26. More than \$14B of this comes from the alumina and aluminium industries, as value adding mineral processing sectors. The industry includes six large bauxite mines plus several smaller mines which collectively produce over 100 Mt per annum making Australia one of the world's largest producers of bauxite. Australia is the world's largest exporter of alumina with five² alumina refineries producing around 20 Mt per annum of alumina. Australia is the seventh largest producer of aluminium, with four aluminium smelters and additional downstream processing industries including more than 20 extrusion presses and producers of metal powders and aluminium coatings. Aluminium is Australia's top manufacturing export. The industry directly employs more than 21,000 people, including 6,600 full time equivalent contractors. It also indirectly supports a further 55,000 families predominantly in regional Australia.

The Council welcomes the opportunity to provide feedback to the Independent review of the Coastal Trading Act 2012 on the questions raised in the Consultation Paper (the Paper). In this submission, the Council will focus on a national view, but provide examples of logistical constraints from specific operations. The Council has structured its response responding to selected Questions in the Paper.

Australian Coastal Shipping Context

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, with major shipping routes highlighted in **Error! Reference source not found.** 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 intrastate shipping requirements of around 14 million tonnes and interstate coastal shipping requirements of approximately 3.5 million tonnes. Additionally, as an export focussed industry, the industry exports around 55 Mt of product a year. While bauxite and alumina are exported as bulk products, aluminium is exported in either break bulk or containerised form; and a combination of dedicated and multi-use port facilities are used.

¹ <https://www.industry.gov.au/publications/resources-and-energy-quarterly-june-2024>

² Alcoa announced the curtailment of Kwinana in August 2024 - <https://news.alcoa.com/press-releases/press-release-details/2024/Alcoa-announces-curtailment-of-Kwinana-Alumina-Refinery-in-Western-Australia/default.aspx>



Figure 1. Location of Australian Aluminium Industry Facilities and Major Shipping Routes³

Response to Consultation Questions

Objects of the Act

1. *Of the 3 proposed options for the Object of the Act, with which do you agree most? Please explain why.*

2. *Is there anything else that should be considered for inclusion in the Object of the Act? Please explain why.*

The Objects of the Act are currently focused on “revitalizing Australian shipping” and do not include any reflection of the importance of shipping to maintaining, and possibly in the future growing, Australia’s industrial base. While the Council supports simplification of the Object in principle, it should also reflect maintaining an efficient and competitive domestic industry – both shipping and manufacturing, which is ultimately a key customer base. The Council proposes the following inclusions:

(1) *The object of this Act is to provide a regulatory framework for coastal trading in Australia that:*

- (a) *promotes and supports **a competitive, efficient and sustainable shipping industry** that contributes to the broader Australian economy; and*
- (b) *can support a freight and passenger task of Australian shipping users in a way that enhances Australia’s **international competitiveness**.*

Current coastal trading regulatory framework

3. *Is the current licencing framework fit-for-purpose?*

The current licencing framework is not fit for purpose. The industry has interstate shipping requirements of approximately 7.5 Mt per year, of which 4Mt per year is the shipment of bauxite from the Northern Territory to Queensland and the balance is predominantly alumina shipped from refineries to aluminium smelters. This is covered by the Coastal Trading Act 2012, and the key issues for the industry under the current act are:

- Currently, there is no General Licence holder able to service the alumina dry bulk market.
- Previously, only one 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.

³ <https://aluminium.org.au/blog/news/new-report-economic-contribution-of-the-australian-aluminium-industry/>

4. Are there alternative coastal trading regulatory frameworks that are better suited to Australia's coastal trading market? Why/why not?

The industry has previously raised a range of potential solutions to the issues currently faced, which 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. Publication of these routes / trades would indicate to potential General Licence holders where there was an opportunity to commercially enter the market, providing an incentive for new operators to 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 decide or pass 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.

6. Should temporary licence holders who have held temporary licences year after year be required to transition to a general licence or a new category of licence that better represents the regularity of trading they engage in?

The Council does not support the intention that temporary licence holders should be required to transition to general licences, particularly noting the limitations on the ability of current general licence holders to service the industry (see also response to Q3).

7. If you regularly hold temporary licences, what is inhibiting you from transitioning towards being Australian flagged and crewed? What would encourage you/provide an incentive for you to transition to being Australian flagged and crewed?

There is currently no General Licence holder able to service the alumina dry bulk market. It is unclear whether there is sufficient commercial demand to enable a General Licence holder to operate commercially. The Council suggests publication of a schedule of specific routes / trades where there are currently no General Licence (GL) vessels would indicate to potential General Licence holders where there was an opportunity to commercially enter the market, providing an incentive for new operators to enter the market.

8. If you regularly hold temporary licences, please identify the impact, financial or otherwise, a move to the use of an Australian vessel may have on your business operations? Please provide as much detail as possible.

The key factors which would be considered in the decision on which vessel to use to move cargo would be:

- Safety – under the current Act there have applications by General Licence holders for voyages with vessels which were unsafe or unsuitable for the route.
- Timeliness - Smelters and refineries would typically only have *days to weeks* of raw materials stockpiled, due to the scale of operations and limitations on storage capability.
- Flexibility - The nature of Australia's bauxite and alumina industries being both export and coastal driven means that vessels which are chartered by operators will need to have operational flexibility to be scheduled both domestically and internationally; and
- Cost - Freight is a substantial cost for the companies involved. The industry's previous experience in this circumstance was that when there was only one single General Licence holder able to service the market, the monopoly situation resulted in substantially⁴ higher costs than existed previously in the market.

⁴ <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/maritime/publications/factsheets>

Future of Australian shipping

14. How can the Act ensure that Strategic Fleet vessels operate competitively to help grow the Australian maritime industry?

To be of benefit to the Australian aluminium sector for alumina trade, vessels would need to be commercially competitive and be able to safely berth at a range of ports. Historically, it has been difficult for a small pool of vessels to be able to achieve this, as the berthing requirements vary from port to port. The flexibility of being able to source from a range of vessels, including an international fleet, provides improved business continuity.

Of the recommendations of the Strategic Fleet Taskforce, the Council's members would potentially use the following:

- Multipurpose vessels (MPV) capable of carrying project cargo, containers and some bulk cargoes, and unload these using geared ship cranes.
- Dry-bulk vessels; and
- Break-bulk vessels

However, they would need to meet the requirements for the product, route and voyage.

15. Beyond the recommendations from the Strategic Fleet Taskforce, what else is required to ensure the Australian shipping industry can continue to grow?

A domestic strategic fleet if well priced and easily accessible could assist during significant domestic transportation issues (such as derailments) that limit the movement East to West and visa versa. There usually is at least one significant annual event that limits or temporarily prohibits the road/rail movements which puts undue stresses on the domestic supply chains (weather events/COVID/strikes etc).

As the industry maintains *days to weeks* of raw materials stockpiled, in order to manage working capital, flexibility is required to ensure that it can always be delivered. In instances where a ship is unavailable at short notice or so severely delayed that a facility would run out of stock, operators would either fix another vessel or coordinate with another importer for a potential vessel/cargo swap or a vessel/ cargo share arrangement. This requires access to a range of vessels well beyond the scope of the Strategic Fleet.

Conclusion

The Council welcomes the recognition that further work is required in Australia to address the strategic role of Australia's marine logistics sector, to help improve the sector's resilience and support Australia's productivity. The Council is happy to provide further information on any of the issues raised in this submission.

Kind regards,



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