Coastal Shipping

Australia’s shipping task and industry

Only 17% of Australia’s domestic freight task is performed by coastal shipping. Despite a dramatic 57% growth in total Australian freight over a decade, the share carried by coastal shipping has plummeted. Without action, coastal shipping will continue to lose market share to road and rail, adding to congestion in our cities, higher transport costs and extra wear and tear on infrastructure.

The number of major Australian registered ships with licences to move coastal freight fell from 30 in 2006-07 to just 13 by 2012-13. While the number of vessels has marginally risen since the period of the Australian Sea Freight 2012-13 Report, deadweight tonnage has plummeted by 64% over the last two years.

The importance of coastal shipping

Coastal shipping moves vital cargoes around Australia including coal, fertiliser, petroleum products, liquid petroleum gas (LPG), metallic ores and mineral sands, cement and steel. Coastal shipping also covers the movement of passengers on domestic cruises and ferry services.

In the 2013-14 financial year, almost one million metric tonnes of fertiliser was moved on ships between Australian ports. Fertiliser supplies from Queensland were transported to many ports including Newcastle, Geelong and Adelaide to support Australian farmers.

Similarly, in the same period a total of just over 278,000 metric tonnes of LPG products and just over 6.4 million metric tonnes of petroleum products were moved via coastal shipping. These movements highlight the importance of coastal shipping in meeting Australia’s energy and fuel needs.

The Business Council of Australia stated around 90,000 Australians are employed in manufacturing sectors using coastal shipping, including oil refining, cement, steel and aluminium production.

Coastal shipping is also particularly important to the Tasmanian economy, providing the only viable bulk transport link to the mainland with Bass Strait a fundamental part of the supply chain. This means the cost of transport across this tract of water must be competitive.

At a Glance

- Between 2000 and 2012, shipping’s share of Australia’s freight task fell from around 27% to just under 17%, while the volume of Australian freight actually grew by 57%.
- Australian shipping is uncompetitive. An Australian ship can cost around $5 million a year more than a comparable foreign ship on comparable routes.
- Australia’s major coastal fleet fell from 30 in 2006-07 to just 13 by 2012-13. Today it is 18, however, deadweight tonnage has plummeted by 64% in the last two years.
- Just 49 million tonnes of coastal freight was loaded in 2012-13. Five years earlier
(2007-08) it was over 59 million tonnes – that’s a 2.4% decline each year in the total weight of coastal freight.
- Over 2010-30 Australia’s freight task is expected to grow by 80%. While national road and rail freight is projected to double, coastal shipping will grow a mere 15%.

Reform of coastal shipping

On 8 April 2014 the Australian Government released an Options Paper on approaches to regulating coastal shipping in Australia. The Paper was well received by industry. The Department of Infrastructure and Regional Development received a total of 85 submissions and is continuing to receive supplementary submissions and additional information.

The submissions highlight the problems experienced by producers, manufacturers and other users of coastal shipping with the current system.

- The five voyage minimum requirement before a temporary licence can be granted hinders the ability to move one-off cargoes by coastal shipping. For example, a piece of heavy machinery was unable to be shipped as a single voyage and, therefore, a Temporary Licence could not be granted. The machinery was moved by road, which required a police escort due to the over-size load and removal of overhead power lines. This was more complicated and costly than a voyage by ship.

- Certain products, like LPG, are moved exclusively by foreign ships operating under temporary licences. Even though there are no Australian ships capable of carrying the products, the shippers must still obtain licences for the movement of the goods. This is a costly and time consuming process that delivers no value to the Australian economy.

- Tolerance limits make the current system inflexible for coastal shipping users. The tolerance limit for the amount of cargo carried means last minute changes to cargo cannot be made, or if a change has to be made, the ship is delayed while waiting for the change to be approved.

- Ships carrying petroleum products from offshore petroleum production facilities are not able to apply for a temporary licence, making it difficult to bring those petroleum products directly to mainland Australia.

Submissions on the Options Paper have highlighted cost pressures faced by coastal shipping users.

Bell Bay Aluminium has indicated an increase in costs from $18.20 a tonne in 2011 to $29.70 a tonne in 2012 – an increase of 63% following the introduction of the existing regulations.

Others, including Bell Bay Aluminium, cite delays costing foreign vessels around $10,000 a day and more than $20,000 a day for Australian ships. Stakeholders have indicated it is cheaper to import products from Asia than using coastal shipping to move those same products around Australia.

Overall, submissions share a common goal to reform the current regulations to increase flexibility and affordability for users of coastal shipping.

The Australian Government is carefully considering these issues and is committed to developing an internationally competitive coastal shipping framework that enables the industry to operate effectively, efficiently and in the national interest.