

7/12/2022



Mr John Mullen
Chair
Strategic Fleet Taskforce
Department of Infrastructure, Transport, Regional Development, Communications, and the Arts
GPO Box 594
Canberra ACT 2601

Sent via email: SFConsultation@infrastructure.gov.au

Dear Mr John Mullen,

STRATEGIC FLEET TASKFORCE – DISCUSSION PAPER

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for more than 91 per cent of the State's mineral and energy workforce employment,¹ ranging from mining (mineral and petroleum commodities), manufacturing (alumina, basic inorganic chemicals and explosives) and supporting services.

The value of royalties received from the sector totalled over \$11 billion in 2021-22, accounting for 27 per cent of general government revenue.² Amid heightened commodity demand, royalties and stronger tax collections from the sector are expected to underpin government fiscal capacity in 2022-23.

Overview

Western Australia (WA) contributed to 46.2 per cent of Australia's goods exports in 2021-2022,³ with 94 per cent of WA's exports derived from the resources sector (and valued at \$226.3 billion).⁴ The WA resources sector is a trade-exposed industry which operates in some of the most remote and regional areas of Australia. Consequently, the sector relies on a globally competitive shipping industry and efficient supply chains, to deliver economic dividends, ensure optimal productivity, and underpin investor confidence.

The manner in which resources companies contract shipping services varies extensively across the sector. For instance, a resources company may own and operate their own vessels, contract vessels on the spot market, contract shipping agents, or have customers who arrange the free on board (FOB) shipping of their product.

The sector is typically known as an exporter of bulk goods, with the commodities of iron ore and natural gas featuring in Australia's top three exports in 2019-2020.⁵ Western Australian resource commodity exports are predominantly shipped from bulk ports across the state and bound for international markets. However, a small number of CME members do export commodities to the east coast of Australia via the inland rail line. Additionally, the sector also exports goods non-bulk and/or containerised goods (e.g. silicon, titanium dioxide, mineral sands) and may seek to expand containerised goods exports in new and emerging markets (e.g. lithium hydroxide).

Regarding imports, many resources companies rely on global supply chains to import goods critical to their operations. These may include original equipment manufacturer parts or equipment componentry, light and heavy vehicles and other machinery and the raw materials or chemical reagents essential for commodity processing. In WA, goods and equipment bound for resource sector operations have typically been imported through the Port of Fremantle or from the east coast of Australia via the inland rail line and then trucked to site. Noting the large distances between many remote sites and the Perth metropolitan area, we have seen

¹ Government of Western Australia, [2021-22 Economic indicators resources data](#), onsite employment under State legislation, Department of Mines, Industry Regulation and Safety, 5 October 2022.

² Government of Western Australia, [2021-22 Annual report on State finances](#), Department of Treasury, 28 September 2022, pp. 8.

³ Australian Government, [Trade and Economic Fact Sheets: Western Australia](#), Department of Foreign Affairs and Trade, retrieved 23 November 2022.

⁴ Government of Western Australia, [2021-22 Economic indicators resources data](#), onsite employment under State legislation, Department of Mines, Industry Regulation and Safety, 5 October 2022.

⁵ Australian Government, [Trade and Investment at a glance 2021](#), Department of Foreign Affairs and Trade, pp 21.

an increased demand for direct shipping options leading to the opening in 2021 of regular direct shipping services from Singapore into the Port of Dampier in the Pilbara.⁶

Building a competitive and sustainable Australian shipping industry

Shipping is a global industry, and with almost 80 per cent (by value) of Australia's imports and exports carried by sea,⁷ the presence of an internationally competitive shipping industry is crucial for the productivity of the resources sector. In particular, the on-going participation of a diverse fleet of vessels is important for trade continuity, market flexibility and responsiveness. However, a lack of fiscal competitiveness for owners and operators of Australian vessels when compared to international jurisdictions, has ultimately led to the marked decline in the number of Australian flagged vessels available for transport.⁸

CME recognises the impact of global instability and the potential value of domestically flagged vessels to national security, noting the flag state of a vessel is entitled to call on that vessel (e.g. in time of crisis). CME also recognises it is advantageous to have mode contestability within trade routes, including the flexibility to utilise sea freight where this option presents cost or efficiency advantages or is required in times of supply chain disruption. However, addressing the fundamental constraints and barriers for the growth and development of the domestic shipping industry will be crucial to building an industry which is, competitive for local fleet development; attractive for vessels (including international vessels) to adopt Australia as their flag-state; supportive of domestic shipping ambitions; and is sustainable and resilient (to supply chain risks) over the long-term.

In relation to the proposed national strategic fleet, **CME recommends the taskforce first qualify and address the underlying causes of the decline in the number of domestically flagged vessels and the key factors influencing the competitiveness of Australian Shipping.**

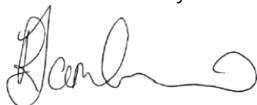
For a sustainable shipping industry, **CME supports policy settings which are comparable to other international jurisdictions and support cost competitiveness for domestically flagged vessels.** We note this position is consistent with views previously expressed by the Maritime Industry Australia Ltd⁹ and may include, introducing competitive corporate tax and income tax rate settings and improving the flexibility for foreign crew to be employed on Australian flagged vessels. Such changes would place Australian shipping on a more level playing field with international jurisdictions and may provide an incentive for privately owned vessels/fleets to adopt Australia as the flag state, in-turn stimulating organic growth of the industry.

Conclusion

With Australia's resource and energy export earnings forecast to reach \$450 billion in 2022–23,¹⁰ disruption and constraints in supply chains and shipping have the potential to result in significant consequences for the fiscal returns of importers and exporters. In the changing global context where consumer behaviours are altering freight demands and the prospect of further geopolitical instability is apparent, it is timely and appropriate to consider the existing capabilities and future potential of Australia's shipping industry, and pathways to facilitate both economic growth and industry development opportunities.

Should you have questions regarding this letter, please contact Adrienne LaBombard, Acting Policy Director, on 0400 912 525 or via email at A.LaBombard@cmewa.com.

Yours sincerely



Rebecca Tomkinson
Chief Executive Officer

⁶ Pilbara Port Authority, [Direct shipping to the Pilbara opening up new markets](#), August 2021.

⁷ Australian Government, [Annual Report 2020-21](#), Australian Maritime Safety Authority, September 2021.

⁸ Parliament of the Commonwealth of Australia, [Final report of the Inquiry into Policy, regulatory, taxation, administrative and funding priorities for Australian shipping](#), Senate Standing Committee on Rural and Regional Affairs and Transport, December 2020, pp. 3, 21.

⁹ Maritime Industry Australia Limited, [submission to the Productivity Commission Inquiry into Australia's Maritime Logistics System](#), 18 February 2022, pp. 17.

¹⁰ Commonwealth of Australia, [Resources and Energy Quarterly: September 2022](#), Office of the Chief Economist, Department of Industry, Science, Energy and Resources, 4 October 2022.