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Department of Infrastructure, Transport, Regional Development, Communications and the Arts

Submitted via email (strategicfleet@infrastructure.gov.au)

Consultation for Phase 1-Independent Review of the Coastal Trading (Revitalising Australian Shipping) Act 2012

Part 1 – Introduction:

Ampol Limited (**Ampol**) welcomes the opportunity to make a submission to the Department of Infrastructure, Transport, Regional Development, Communications and the Arts, (the 'Department') consultation on the Consultation for Phase 1- Independent Review of the Coastal Trading (Revitalising Australian Shipping) Act 2012 ('The Act') ('Consultation Paper').

As the largest supplier of liquid transport fuels in Australia, providing approximately one-third of the nation's liquid transport fuels, Ampol welcomes the opportunity to contribute feedback to this consultation.

Given Australia's status as an island nation, it is imperative to have a robust regulatory framework to support coastal trading. Ampol also recognises the importance of a viable shipping industry in Australia, acknowledging the crucial role that shipping plays in supporting both the industry and the broader economy.

Ampol has been broadly supportive of the work undertaken by the Department in recent years to identify practical reform opportunities through consultation with a wide range of stakeholders. Ampol participated in the First Strategic Fleet consultation in December 2023 and, previously in 2020, provided a response to the Department regarding Coastal Trading Reform for Cargo Vessels.

About Ampol

As Australia's leading fuel supplier with over 120 years of operations experience, Ampol manages Australia's largest fuel and convenience network as well as refining, importing, and marketing fuels and lubricants. With our extensive experience, we have grown to become the largest transport fuels company listed on the Australian Securities Exchange.

In Australia, our robust supply chain is underpinned by our market-leading infrastructure, including 14 terminals, six major pipelines, 53 wet depots, approximately 1,800 retail sites (including over 630 company owned and operated sites), and one refinery located in Lytton, Queensland.

We have also expanded our operations into international markets, including our Trading and Shipping business operating out of Singapore and Houston, USA and our acquisition of Z Energy, a leading New Zealand transport fuels supplier. In total our operations are supported by over 9,000 people.

Feedback

Options for a future Object of the Act

Ampol believes that the objective of the legislation should be to facilitate flexible shipping arrangements, enabling the industry to meet demands whenever and wherever required. Additionally, it should provide further support to local refineries, allowing them to move fuel outputs swiftly when storage is available. The legislation should align with this goal and respond to the industry's needs accordingly.

Ampol considers that the more detailed and descriptive the objectives of an act or regulation are, the more limited the scope for action becomes. While precise guidelines may provide clarity and structure, they also constrain flexibility by restricting actions to what is explicitly outlined. In contrast, broader objectives allow for greater adaptability and discretion, but at the expense of certainty and uniformity in execution.

Ampol acknowledges that finding the right balance between clarity and flexibility is crucial for effective policy implementation.

Moreover, the requirements outlined in the Act have not met their intended objectives during the time it has been in operation. These objectives include facilitating the long-term growth of the Australian shipping industry, enhancing the efficiency and reliability of Australian shipping as part of the national transport system, promoting competition in coastal trading, and ensuring the efficient movement of passengers and cargo between Australian ports. Ampol believes that the reforms proposed by the Department in their consultation paper represent a reasonable first step toward addressing these issues.

Current coastal trading regulatory framework

Ampol considers that, as has been widely recognised through numerous reviews of the Coastal Trading Act, companies supplying fuel to the Australian market are required to apply for temporary licenses. This requirement adds an additional layer of regulatory compliance, impacting fuel suppliers' ability to respond swiftly to market demands. While the licensing system is intended to ensure regulatory oversight, it can also present challenges in terms of operational flexibility and efficiency within the fuel supply chain.

As a refiner and marketer of petroleum products, Ampol engages extensively in the import of both crude and refined petroleum products (collectively referred to as 'liquid fuel products') to Australia, New Zealand, and the Philippines through our trading and shipping office. In cases where there are no general licence (GL) vessels available to transport these products, vessels are chartered to undertake voyages on Ampol's behalf under a temporary licence (TL).

Noting that Ampol has not been a ship operator since 1997, Ampol currently engages in a mixture of voyage-charter and time-charter arrangements for vessels to deliver liquid fuel products to Australian ports from their port of origin, and to engage in inter and intra state movements where required.

As we mentioned in the consultation paper back in 2020, the current legislative framework for coastal shipping licensing **imposes significant administrative burdens**. These burdens create inefficiencies, reduce supply chain flexibility in responding to market events, and increase operational costs for industries such as the petroleum industry.

Temporary licences

Section 28 of the Coastal Trading (Revitalising Australian Shipping) Act 2012 highlights the administrative burdens of the current legislative framework on temporary licences, which have a significant impact on industries, including the petroleum sector. These burdens lead to inefficiencies, reduce flexibility in supply chains to respond to market fluctuations, and increase operational costs. Notably, the petroleum industry lacks vessels with GL capable of transporting liquid fuel products, further complicating logistics and adding to these challenges.

Moreover, Ampol has expressed support for the removal of the **five-voyage minimum** requirement for Temporary Licences established in section 28(2)(a). This reform would enhance operational flexibility, particularly in cases where there may be uncertainty regarding subsequent voyages or rare instances where a Temporary License is needed for only a single journey. Ampol sees this change as beneficial in adapting to varying operational demands.

Ampol has noted that the '**acceptable tolerance limits**' established under Section 37(2)(f) of the Act, act as a significant constraint on industries relying on vessels with Temporary Licenses. These limits hinder the petroleum industry's ability to respond effectively to supply disruptions or shifts in demand, reducing the adaptability and responsiveness needed to maintain supply chain stability.

Ampol recommends that the Department remove all tolerance limits, including both cargo limits and loading dates, regardless of any interaction with General License (GL) holder route or cargo nominations. This change would provide industries with the necessary flexibility to respond more efficiently to fluctuating market conditions and operational demands, promoting greater resilience in the supply chain.

Ampol supports the Department's intent to separate licenses between cargo and passenger transport to better reflect their distinct operating behaviors. This separation would allow for more tailored regulatory approaches, improving efficiency and addressing the specific needs of each sector.

During the last month, when managing a potential supply disruption resulting from an unplanned unit outage at Lytton refinery, a delay from the days taken to obtain an emergency TL may have prevented the use of the only logistical option to prevent gasoline shortages in Queensland.

With production at Lytton impacted, there was a suitable vessel available alongside Kurnell refinery that was able to transport fuel from Sydney to Brisbane as the first stage of a solution to rebalance fuel stocks across the east coast market. Ampol was required to submit a TL application to make the voyage from Kurnell to Lytton. These applications can take a number of days despite there being no prospect of a GL vessel competing for the load.

While on this occasion Ampol was able to obtain a TL, Ampol was forced to take on unnecessary operational risk by filling a vessel with product that may not have been permitted to make the voyage. On this occasion stockouts were avoided but had this occurred on a weekend or across a public holiday, the delays would have been longer. There was real potential for stock-outs of Gasoline in the Brisbane market and it may have been that failure to obtain a timely TL could have prevented the use of the only solution available to avoid stock-outs.

Strategic Fleet Taskforce recommendations

As mentioned, a dedicated taskforce may be essential to address these gaps and ensure an adequate pipeline of trained personnel capable of supporting the Strategic Fleet's safe and effective operations. Another significant challenge lies in developing teaching and training positions to address the shortage of qualified maritime instructors. To meet this need, the Government will likely need to invest in incentives, such as tax benefits and free training programs, to encourage new generations to pursue careers at sea. However, implementing such measures will take time, and it is crucial for the Government to carefully factor this into the Strategic Fleet's execution plan.

Addressing workforce supply challenges

In its response to the *Strategic Fleet Implementation - Consultation Paper (December 2023)*, Ampol noted potential challenges in meeting the Government's expectations for crew and operational support staff within the Strategic Fleet. Given the limited training opportunities in recent years, Ampol anticipates a significant shortage of qualified marine personnel capable of meeting the stringent standards required for safe and effective fuel delivery.

Moreover, the training timeline for crew members on vessels varies considerably, ranging from several months to years, depending on factors such as the role's responsibility level, the vessel type, and specific training requirements. Ampol's stringent standards, for example, mandate minimum skills and experience levels before procuring ship services. These standards include requiring Senior Officers (Master, Chief Officer, Chief Engineer, and First Engineer) to have more than six years of experience at sea on a tanker and over three years in a Senior Officer role. Typically, a seafarer will take 10 to 12 years to reach the rank of Senior Officer.

Part 3 Conclusion

Ampol welcomes the Department's efforts to implement reforms aimed at improving the efficiency of the coastal trading legislative framework, especially for sectors without General License (GL) vessels in operation.

Ampol has maintained a consistent position since 2020 regarding the challenges posed by the current legislation. We appreciate the opportunity to collaborate with the Department to advance these reforms and are willing to make relevant subject matter experts available at the Department's request.


