

# AUSTRALIAN DRY BULK SHIPPING USERS

21 March 2012

## **Australia's proposed shipping 'reform' must address competitiveness of shipping users**

The *Coastal Trading Bill 2012* being introduced into the Parliament tomorrow must address the competitiveness and needs of consumers of shipping services if it is to be called a reform, said Ms Margie Thomson, a spokesperson for Australian dry bulk shipping users<sup>i</sup>.

The Australian Government's own Regulation Impact Statement demonstrates a significant economic burden will fall upon Australian industries reliant on dry bulk shipping to move Australian made product around the coastline under any scenario that reduces access to foreign vessels for coastal shipping.

"When shipping represents 30% of our cost base and it is already cheaper to ship our foreign competitor's product from China to Australia than move Australian product to market from one Australian port to another, why does the Government insist on rushing this costly economic policy through the Parliament?" Ms Thomson asked.

Last week a Deloitte Access Economics (DAE) report<sup>ii</sup> was released which revealed that the proposed coastal shipping legislation could cost the Australian economy in excess of \$466 million over the next decade, increase dry bulk freight rates by up to 16% and create peak job losses of 570 full time equivalents.

Ms Thomson said that while the Government sought to dismiss the DAE report by attacking the assumptions underpinning the economic model, the wage and crewing assumptions were replicated from the Government's own Regulation Impact Statement (RIS)<sup>iii</sup>.

Does this mean the Government's assumptions in the RIS also wrong?" Ms Thomson questioned.

"Significantly, both the DAE report and the Government's RIS demonstrate the proposed shipping reforms would come with an economic cost for shipping users, especially dry bulk. This cost will greatly affect the competitiveness of Australian industry as international ships carrying international cargo will not face any increase to costs, making imports more attractive," Ms Thomson said.

Ms Thomson said the intent of the *Coastal Trading Bill 2012* was made very clear in the Government's RIS:

*The Government has a clear intention to encourage replacement of foreign ships with Australian ships so some substitution is expected*".

This assumption was the basis that led the RIS and DAE report to conclude the reforms would come at a significant economic cost to Australian industry.

"It doesn't matter how the Bill is scrutinised, unless the objects of the *Coastal Trading Bill* are widened to ensure an efficient, reliable, flexible and internationally competitive shipping service can be delivered to users of coastal shipping, the Bill should be further reviewed and improved before being introduced into the Parliament.

The Government is turning its back on Australian industry unless it allows a Productivity Commission review of the legislation to be conducted. The Government's Regulation Impact Statement and the future competitiveness of Australian manufacturing and industry cannot be continued to be ignored.

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<sup>i</sup> The DAE study was commissioned by Australian dry bulk shipping users to analyse the specific economic impacts of the reforms on the manufacturing and mineral industries, and the economy more broadly.

The report details the effect of the proposed reforms on domestic transport of dry bulk commodities including cement, iron ore, bauxite, sugar, fertiliser, soda ash, gypsum and retort coke and demonstrates that an increase in freight rates of up to 16% will occur as a result of the higher cost wages and other changes to the regulatory approach to international vessels operating on the coast.

The industry associations and companies concerned about the impact of these reforms on the competitiveness of Australian industry include the Cement Industry Federation, CSR, Penrice, Pacific Carbon, the Minerals Council of Australia and the Fertiliser Industry Federation of Australia as well as the Business Council of Australia and the National Bulk Commodities Group.

<sup>ii</sup> Deloitte Access Economics Report can be found at [www.cif.org.au](http://www.cif.org.au)

<sup>iii</sup> Regulation Impact Statement can be found at [http://www.infrastructure.gov.au/maritime/shipping\\_reform/](http://www.infrastructure.gov.au/maritime/shipping_reform/)