AUSTRALIAN DRY BULK SHIPPING USERS

Embargoed until 7:00am (Eastern Summer Time)
14 March 2012

Coastal Trading Bill 2012 to cost economy millions

Proposed shipping changes could cost the Australian economy in excess of $466 million over the next decade, increase freight rates by up to 16% and create peak job losses of 570 full time equivalents, a Deloitte Access Economics (DAE) study has revealed.

“Australian dry bulk shipping users are very concerned for the cost implications and subsequent impact on the competitiveness of Australian companies as a result of the proposed *Coastal Trading Bill* 2012. We do not support its passage through parliament without a Productivity Commission inquiry” said Ms Margie Thomson, a spokesperson for Australian dry bulk shipping users.

“A Productivity Commission inquiry is necessary to ensure the proposed legislation is in the long term interest of Australians,” Ms Thomson said.

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 von 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.

Ms Thomson, said a significant economic burden will fall upon Australian industries reliant on bulk shipping around the coastline as a result of the Government’s proposed *Coastal Trading Bill,* slated to come into force form 1 July.

Ms Thomson noted the Government’s own analysis had revealed shipping costs for dry bulk commodities can represent up to 30% of the final sale price of the product and that removing competition in the coastal trade would have a negative economic impact.

Under existing arrangement the majority of domestic trade is carried by Australian-flagged or licenced vessels. The changes would restrict access to foreign vessels to fill the gap. “Why would the Government wish to impose a backward reform like this when dry bulk shipping costs from China to Australia are equivalent to shipping product from one Australian port to another?”

“Unfortunately the best way to avoid these increased costs is to import product directly into market using international ships. That means less manufacturing and less Australian made product”, Ms Thomson said.

Ms Thomson said there were a range of other factors that would impact on costs that were not included in the study including reduced flexibility and availability of ships, and the possibility of a protected monopoly forming.

“These reforms must be subject to a Productivity Commission inquiry to determine whether they are actually in the national interest” Ms Thomson said.

Media Inquiries: Ms Margie Thomson 0418 290 058