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Ms Jessica Stojkovski MLA  
Parliamentary Secretary to the Minister for Transport; Planning; Ports  
Member of Kingsley  
Woodvale Park Commercial Centre  
Unit 4 / 923 Whitfords Avenue  
Woodvale WA 6026

Hon Kyle McGinn MLC  
Parliamentary Secretary to the Minister for Disability Services; Small Business; Fisheries; Seniors and Ageing  
Member for Mining and Pastoral Region  
Unit 4 / 241 Hannan Street  
Kalgoorlie WA 6430

Sent via email: [shippingtaskforce@transport.wa.gov.au](mailto:shippingtaskforce@transport.wa.gov.au)

Dear Taskforce Co-Chairs,

## WA SHIPPING AND SUPPLY CHAIN TASKFORCE – SCOPE SUBMISSION

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 89 per cent of the State's mineral and energy workforce employment,<sup>1</sup> 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 \$12.7 billion in 2020-21, accounting for 31.7 per cent of general government revenue.<sup>2</sup> Commodity exports from the sector are a major contributor to Australia's economic recovery from its largest global contraction since the 1940s.<sup>3</sup>

### Overview

This submission is structured against the subjects listed within the scope of the WA Shipping and Supply Chain Taskforce (the taskforce). CME commentary seeks to identify and briefly outline CME's perspective on priorities and opportunities as relevant to the subject areas, for further consideration by the taskforce.

Western Australia contributed to 52.4 per cent of Australia's international trade in 2019-2020, with 97.3 per cent of all major exports derived from the Western Australian resources sector.<sup>4</sup> Whilst the sector is typically known as an exporter of bulk goods, the sector also exports 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). From an import perspective, many resources companies rely on global supply chains for original equipment manufacturer parts and the supply of raw materials or chemical reagents essential for production. As such, the presence of globally competitive and sustainable supply chains is critical to ensuring the on-going productivity and performance of the sector.

The manner CME member companies contract supply chain services vary extensively across the sector. For instance, within the shipping industry 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. For other freight modes, CME member companies may own and operate their own

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<sup>1</sup> Government of Western Australia, [2020-21 Economic indicators resources data](#), onsite employment under State legislation, Department of Mines, Industry Regulation and Safety, 10 October 2021.

<sup>2</sup> Government of Western Australia, [2020-21 Annual report on State finances](#), Department of Treasury, 24 September 2021, pp. 167-168.

<sup>3</sup> Commonwealth of Australia, [Resources and Energy Quarterly: September 2020](#), Office of the Chief Economist, Department of Industry, Science, Energy and Resources, 2020.

<sup>4</sup> Australian Government, [Trade and Economic Fact Sheets: Western Australia](#), Department of Foreign Affairs and Trade, retrieved 26 April 2022.

rail lines, contract rail services providers for land-based freight, contract road freight providers for otherwise inaccessible routes, or to a lesser extent also contract air freight for selected transport services.

In the context of global supply chain disruption (and in anticipation of prolonged disruption), it is timely and appropriate to look at the security and resilience of supply chains, including the contestability of modes. With resources and energy export earnings forecast to lift by 33% to a record \$425 billion in 2021–22,<sup>5</sup> action which can ensure the competitiveness and productivity of shipping and supply chains into the future will be crucial to ensure the sector and State, can capitalise on the opportunities presented.

## Coastal shipping and the diversification of domestic freight modes

Efficient supply chains are key economic enablers and recent natural events which interrupted operability of the nation's primary East-West freight channel, laid bare both the criticality of the Trans-Australia rail transport line and Western Australia's vulnerability to its' disruption. It is clearly advantageous to have mode contestability within national trade routes, including the flexibility to utilise sea freight where this option presents cost or efficiency advantages or is required in times of disruption.

CME considers the temporary exemptions to the *Coastal Trading (Revitalising Australian Shipping) Act 2012* (the Act) to increase the availability of containerised coastal shipping from the East to West coast during the interruption of overland rail services by the Commonwealth was positive. Consideration should be given to whether some of these changes should be implemented on a permanent basis including amendments previously proposed under the *Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017*.<sup>6</sup> **CME supports recommendations put forward by the Minerals Council of Australia for revisions to the *Coastal Trading (Revitalising Australian Shipping) Act 2012* to promote flexibility and reduce administrative and regulatory burden for shipping operators both domestic and international seeking to service domestic routes.**<sup>7</sup>

While removing regulatory barriers may assist in ensuring availability in time of need, it's unclear whether a significant scaling-up of coastal trading services along the East-West channel are required. Such an assessment should be based on the likelihood of a similar scale of disruption in future, the likely ongoing sustained demand for the service, and the capacity of WA ports to accommodate the increased trade demand. To ensure the economic viability and sustainability of any domestic shipping mode established, **CME believe it is important for the taskforce to first consider the type and volume of goods and any specific regulatory or other requirements for the transport of those goods (e.g. specialised containers) on any national route when assessing feasibility, cost benefit and demand.**

## Building a competitive and resilient 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,<sup>8</sup> 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.<sup>9</sup>

CME recognises the opportunities for Australian shipping particularly regarding improving mode contestability and supply chain resilience as identified above. In addition, 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). However, when considering the taskforce scope and in particular the proposal to collaborate with the Commonwealth on a 'national strategic

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<sup>5</sup> Australian Government, [Resources and Energy Quarterly: March 2022](#), Office of the Chief Economist, Department of Industry, Science, Energy & Resources, 2022, pp. 7.

<sup>6</sup> Parliament of the Commonwealth of Australia, [Coastal Trading \(Revitalising Australian Shipping\) Amendment Bill 2017](#), lapsed 1 July 2019.

<sup>7</sup> Minerals Council of Australia, [Submission to the Productivity Inquiry into the long-term productivity of Australia's Maritime Logistics Systems](#), 11 February 2022, pp. 8-9.

<sup>8</sup> Australian Government, [Annual Report 2020-21](#), Australian Maritime Safety Authority, September 2021.

<sup>9</sup> 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.

fleet', it is unclear to what extent such targeted initiatives may meet stated objectives. While the approach of collaborating with the Commonwealth on shipping is strongly supported, **CME recommends the taskforce first seek to establish the underlying causes of the decline in the number of domestically flagged vessels and the key factors influencing the competitiveness of Australian Shipping.** 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 coastal shipping ambitions; and is sustainable and resilient (to supply chain risks) over the long-term.

To build a competitive shipping industry domestically, **CME are in-principle aligned with proposals from the Maritime Industry Australia Limited for policy settings which are comparable to other international jurisdictions and support cost competitiveness for domestically flagged vessels.** This may include, collaborating with the Commonwealth for 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.

### **Supporting intermodal transport and supply chain coordination**

The Western Australian resources sector uses a combination of transport modes for both domestic and international trade and supporting diversity in the availability of transport modes is important for both cost competitiveness and supply chain security. However strategic industrial areas, ports, infrastructure facilities and transport corridors are at risk of urban encroachment. **CME believe shipping and supply chain priorities should include a focus on reducing land-based congestion and existing infrastructure constraints associated with moving freight to and from intermodal transport terminals.** These may include improving port accessibility, enhancing road transport capabilities, and addressing bottlenecks in the Traffic Warden escort system administered by Main Roads. In support of this objective, CME welcome coordination at a local level between the taskforce, Infrastructure WA and the Department of Jobs, Tourism, Science and Industry, including collaboration on the State Infrastructure Strategy and Westport development.

In relation to goods transport, the specialised nature of inputs and outputs for the resources sector, mean they may come with accompanying regulations and specialised equipment requirements for their transport (e.g. specialised containers). Therefore, **CME believe it would be prudent for the taskforce to first identify priority and strategic trade goods and consider any specialised requirements for their transport during multi-modal and supply chain contingency planning.**

Whilst CME understand the importance of limiting scope, the Taskforce should be continually aligned with the Federal Road and Rail Supply Chain Resilience Review as the multi-modal nature of Australian transport inextricably links the two forums. For instance, views about rail capacity and infrastructure prioritisation need to align with views and assumptions made by this taskforce about shipping for any co-ordinated action to be undertaken. In addition, CME hopes to see alignment of the supply chains priority area of the Premier's Skill Taskforce objectives and this taskforce, noting member support for the improvement of onshore warehousing capability and the transition to 'just in case' stockpiling measures.

### **Supporting service quality at ports**

The resources sector competes on cost and efficient ports are key to market competitiveness and the nation's ability to attract the service of global shipping companies. Australia currently holds the world's highest productivity rates for the loading of dry bulk cargo (iron ore; 48 tonnes loaded per minute)<sup>10</sup> and exports from the resources sector have seen growth of the Port of Port Hedland's to become the world's largest bulk export port. However, the containerised export of goods from Australia has not seen the same performance gains, with a comparable port performance assessment of 351 of the world's container ports, showing Australian container ports (including the Port of Fremantle) were ranked towards the bottom.<sup>11</sup> Consequently, to improve both the National and State competitiveness for the shipping industry, it is CME's view further planning foresight is required to support efficient port infrastructure and processes which support both existing, and

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<sup>10</sup> United Nations, [Review of Maritime Transport 2021](#), United Nations Conference on Trade and Development, 2021, pp. 113

<sup>11</sup> World Bank Group, *The Container Port Performance Index 2020: A Comparable Assessment of Container Port Performance*, 2021, pp. 89, 101.

new or emerging commodities, including those that need containerisation (e.g. lithium hydroxide). **CME proposes service quality reforms should seek to improve the diversification of ports, and their capacity to handle an increased scope and capacity in trade, commodities, and port users.**

Lastly, CME considers it is important Government seek to support consistency in policies and protocols relating to international vessels across Western Australian Port Authorities. The recent adoption of consistent policies around the management of COVID-19 is positive, however, CME wishes to note previous jurisdictional variation in COVID restrictions (e.g. the 14 day voyage requirements) resulting in some companies suffering significant financial impacts (e.g. demurrage fees) during a global pandemic whereas others benefited from less prescriptive, risk-based approaches. **A consistent approach from State-based Port Authorities on future issues or policy responses is welcomed by CME and industry. In addition, CME would also welcome continued efforts to support the rollout of voluntary COVID-19 vaccination programs to international seafarers arriving at Australian ports.** This initiative would help address global efforts to broaden equitable vaccine access to developing countries and mitigate risk of further impacts to the availability and health and safety of this critical workforce.

### Investing in local training and career pathways

The maritime industry workforce distribution holds an average age of 44 years, and an ageing at rate which is 2.6 times faster than all other industries.<sup>12</sup> The ageing workforce factor coupled with pre-COVID findings of over 78 per cent of employers in the maritime sector having experienced a skills shortage<sup>13</sup> present an opportune moment for the improvement of innovative career pathways and potentially training facilities to attract new and diverse industry entrants.

The existing maritime training and education facilities and providers are concentrated on the eastern states, with limited training provision in WA. **Whilst CME welcomes and supports further investment in local training opportunities, to be economically feasible any local provider needs to be competitive from both a training quality and cost perspective, when compared to other eastern state or international institutions.** Furthermore, whilst it is understood that just over 93 per cent of Australian qualifications relevant to the maritime sector are offered through the vocational sector,<sup>14</sup> university education pathways remain important and relevant in relation to maritime careers. CME welcome opportunities for higher education and vocational educational training options and pathways to be discussed and considered in concert. Finally, CME notes the importance for any training facility or pathway investment to be made in alignment with the Australian Maritime Safety Authority and any downstream course accreditation required.

The technologies and systems which underpin the maritime industry are readily evolving in response to automation and digitisation.<sup>15</sup> The result is a rapidly changing industry environment which is fundamentally challenging traditional approaches to work and training. **As an ongoing principle, CME supports an education and training sector which is a competitive market; aligned with and responsive to industry need; supports flexible and innovative delivery modes; seeks to continually improve the quality of training outcomes; and supports a diverse and inclusive learner cohort.** The alignment of this principle should continually be assessed and considered in the development of any proposed local training facilities and the improvement of maritime career pathways.

### Conclusion

The Western Australian resources sector is comprised of exporters and importers dependant on the movement of goods between some of the State's most remote and regional areas to global markets. Consequently, the operation of efficient, responsive, multi-modal, and cost competitive supply chains is critical to ensure optimal productivity and underpin investor confidence. However, as evidenced in recent years constraints in supply chain capability or disruption to their operation has the potential to result in significant consequences for the productivity and fiscal returns of importers and exporters. In the changing

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<sup>12</sup> Australian Industry Standards, [Industry Outlook 2021](#), Maritime Industry Reference Committee, June 2021, pp. 8-9

<sup>13</sup> Australian Industry Standards, [Skills Forecast 2019](#), Maritime Industry Reference Committee, April 2019, pp. 24

<sup>14</sup> Australian Government, [Maritime Industry: Training trends](#), Australian Industry Skills Commission, 2020, retrieved 20<sup>th</sup> April 2022

<sup>15</sup> Australian Government, [Looking ahead: AMSA's operating environment 2017-2027](#), Australian Maritime Safety Authority, September 2017, pp.

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 Western Australia's supply chains and shipping industry, facilitating both economic growth and industry development opportunities.

Should you have questions regarding this letter, please contact Adrienne LaBombard, Manager – Industry Competitiveness, on 0400 912 525 or via email at [A.LaBombard@cmewa.com](mailto:A.LaBombard@cmewa.com).

Yours faithfully

A handwritten signature in blue ink, appearing to read 'R Carruthers', written in a cursive style.

**Robert Carruthers**  
Director – Policy & Advocacy