




Australian Government

Department of Infrastructure and Regional Development

Regulation Impact Statement

Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017

Type of submission:	Standard RIS
Date of submission:	September 2017
OBPR reference ID:	22370



© Commonwealth of Australia 2017
ISBN : 978-1-925531-70-1
September 2017 / INFRA-3360

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Definitions

Australian General Register	Sometimes referred to as the ‘first register’, the Australian General Register is where Australian ships seeking to engage in both domestic and international trade are registered. The General Register is established through the <i>Shipping Registration Act 1981</i> . This Act of Parliament is the responsibility of the Minister for Infrastructure and Transport.
Australian International Shipping Register (AISR)	Sometimes referred to as the ‘second register’, the Australian International Shipping Register is where Australian ships seeking to primarily operate overseas may elect to register. This register was introduced as a part of the 2012 reform package. The AISR offers reduced regulatory burden and allows the use of foreign labour in some circumstances but requires the ship to spend at least 51% of its time engaging in international voyages. The AISR is established through the <i>Shipping Registration Act 1981</i> . This Act of Parliament is the responsibility of the Minister for Infrastructure and Transport.
Coastal shipping/ coastal trading	The carriage of domestic passengers or cargo on purely domestic voyages.
Domestic voyage	A voyage carrying goods or passengers between two ports in Australian territory. A domestic voyage does not include a voyage not carrying cargo or passengers.
Emergency Licence	An Emergency Licence may be granted to a shipper, or the owner, charterer, master or agent of a vessel registered in the Australian General Shipping Register, the AISR or under a law of a foreign country to respond to significant national emergencies, as outlined in the <i>Coastal Trading (Revitalising Australian Shipping) Regulation 2012</i> , for a period of no more than 30 days.
Foreign ship	A ship registered under the laws of a country other than Australia.
General Licence (GL)	A General Licence is available under the <i>Coastal Trading (Revitalising Australian Shipping) Act 2012</i> to vessels on the Australian General Shipping Register and provides unrestricted access to engage in coastal trading in Australian waters for five years.
Seagoing Industry Award 2010	The modern award covering the seagoing industry which provides for minimum pay rates and employment conditions.
Temporary Licence (TL)	A Temporary Licence may be granted to a shipper, or the owner, charterer, master or agent of a vessel registered on the AISR or under a law of a foreign country and provides restricted access to engage in specific coastal trading voyages over a 12 month period.



The Regulation Impact Statement Process

This Regulation Impact Statement (RIS) has been prepared by the Department of Infrastructure and Regional Development (the Department) in accordance with the Australian Government Guide to Regulation handbook (2016) and guidance notes issued by the Office of Best Practice Regulation (OBPR).

The purpose of this RIS is to recommend a preferred option to reform coastal shipping regulation in Australia through reducing regulatory burden and red tape.

The RIS identifies the nature of the problem to be solved, outlines the policy options considered and assesses the costs and benefits of each option. It also presents rationale for a preferred option. In doing so, the document addresses the seven RIS questions:

1. What is the policy problem to be solved?
2. Why is government action needed?
3. What policy options are being considered?
4. What is the likely net benefit of each option?
5. Who will be consulted and how?
6. What is the best option from those considered?
7. How will the chosen option be evaluated and implemented?

This RIS will be used by the Australian Government to inform its decision making on reforms to coastal shipping regulation.



Executive Summary

Cabotage regulation reserves domestic trading opportunities for a nation's own registered carriers. In Australia, maritime cabotage is regulated through the *Coastal Trading (Revitalising Australian Shipping) Act 2012* (Coastal Trading Act) which was introduced in 2012 and replaced Part VI of the *Navigation Act 1912*. The purpose of cabotage is inherently protectionist in nature, i.e. it ensures that domestic cargoes and passengers are carried by domestic vessels which are usually crewed by citizens of that country.


The Coastal Trading Act was intended to promote a viable Australian shipping industry and enhance its efficiency and reliability as part of the national transport system by regulating Australian and foreign ships through a licensing regime. The existing regime's intent was to strike a balance between the interests of users of shipping services with the interests of the Australian flagged fleet. The regime allows Australian flagged vessels unrestricted access to the coast and gives them the opportunity to contest voyages applied for by foreign ships, thereby providing them with an advantage. The framework therefore had the intent of generally permitting the use of foreign ships where suitable Australian ships are not available to carry cargo or passengers.

Since the implementation of the current regime in 2012, the decline in the number of Australian flagged vessels has continued. The fleet of major Australian registered vessels with coastal licences has declined from 30 vessels in 2006-07 to 14 in 2015-16, and many ageing Australian registered vessels are not being replaced. Vessel owners have advised the Department of Infrastructure and Regional Development (the Department) that high crew costs and low standards of vessel maintenance make it unattractive to replace Australian flagged General Licensed (GL) vessels as they age. The coastal shipping freight task fell by 8 percent between 2004-2005 and 2014-2015, while the total domestic freight task grew by 55 percent. As a result, coastal shipping moved around 15 percent of Australia's domestic freight in 2014-15, down from 25 percent in 2004-05¹. No ships have been registered on the Australian International Shipping Register since its establishment in 2012. There is an oversupply of Australian seafarers, both ratings and officers, and a lack of training berths on Australian vessels.

In 2015, following extensive consultation with industry that highlighted the failings with the current system, the Government attempted to reform the coastal shipping sector through the Shipping Legislation Amendment Bill 2015 (the Bill). This Bill would have created a streamlined single permit system aimed at making the coastal shipping sector more competitive and economically viable. The Bill was defeated in the Senate in November 2015.

While consultation has indicated significant flaws with the current system, given the defeat of the Bill, pursuing a complete overhaul of the framework is not viable. Stakeholders have indicated that regulatory certainty and bipartisanship at the political level are essential for investment in the coastal shipping sector and for shippers to plan and invest based on using coastal shipping. As a result, a new consultation and policy development process was launched with the aim of pursuing regulatory reform within the framework of the current regime.

¹ The total freight task grew from 463.2 billion tkm in 2004-05 to 719.1 billion tkm in 2014-15. The coastal shipping task fell from 114.1 billion tkm to 105.2 billion tkm over the same period.



In 2016, the Minister for Infrastructure and Transport, the Hon Darren Chester MP, (the Minister) undertook consultation with representatives from various sectors of the maritime industry. A key message from the consultations was that the current regulation of coastal shipping creates a number of administrative issues for shipping companies and Australian businesses reliant on coastal shipping, resulting in substantial regulatory burden. These issues were reported as raising costs and stifling economic activity in the Australian maritime sector and industries using shipping for the movement of freight. Stakeholders claimed that increased regulation and red tape introduced with the Coastal Trading Act was damaging sectors directly and indirectly reliant on shipping as a result of higher shipping costs. Stakeholders requested that the Coastal Trading Act be amended to reduce red tape and the inflexibility within the current licence framework. Industry generally views the administrative requirements around the current framework as being a substantial issue discouraging the use of coastal shipping.

There is scope to make coastal trading regulation more effective in ensuring safe, secure and efficient coastal shipping as part of Australia's national transport system. Given Australia's export oriented economy, a competitive shipping industry including a sustainable coastal trading sector where imports are moved domestically before sale is critical to the ongoing prosperity of the nation.

Consultation

In order to address industry concerns, the Minister released the Coastal Shipping Reforms Discussion Paper (the Discussion Paper) on 21 March 2017 seeking stakeholder comment on a series of proposed legislative amendments to the regulatory regime and seafarer training initiatives. The Discussion Paper signalled the Australian Government's intention to introduce legislation to amend the Coastal Trading Act in order to ensure safe, secure and efficient coastal shipping. It put forward proposed amendments that would reduce red tape by removing the aspects of the coastal trading regime reported as unreasonably limiting, inflexible or onerous for stakeholders.


Submissions were encouraged from stakeholders including, but not limited to: ship owners and operators, employee and employer representatives, users of shipping services, industry associations, maritime unions, government agencies, and interested members of the public.

The Department received 67 submissions in total, with the majority of stakeholder responses agreeing that addressing administrative issues associated with the current regime would reduce regulatory burden.

The policy development process for the proposed changes examines three options for the purpose of the RIS. They are as follows:

- **Option 1:** maintaining the status quo with no changes to the current regulatory settings.
- **Option 2:** introduce amendments to remove aspects of the regulatory framework reported as being unreasonably limiting, inflexible or onerous for industry without fundamentally changing the basic structure of the regulatory regime.
- **Option 3:** a non-regulatory option – progress the proposed seafarer training initiatives aimed at developing and retaining critical maritime skills, which form part of the coastal shipping reform package. This option does not alter the current regulatory settings.

Of the options considered, Option 2 is the preferred option. This option would retain major elements of the current coastal trading licence framework with amendments to regulatory settings to minimise industry



burden and costs. Easing the current regulatory burden on the maritime industry will provide greater flexibility to buyers and suppliers of shipping services, and the broader Australian economy, consistent with the Australian Government's deregulation agenda.

Option 2 has a regulatory burden saving of \$1.35 million per year. This annual regulatory saving was estimated using the Regulatory Burden Measurement framework and has been agreed to by OBPR. The preferred option will be implemented by progressing the proposed legislative amendments to the Coastal Trading Act. The preferred option will be evaluated through a range of mechanisms including regular reviews under the regulator performance framework, monitoring by the Cabinet Implementation Unit and internal reviews and audits within the Department.

Benefits of preferred option

Benefits of the preferred option (Option 2) include the following:

- This option will ensure industry is afforded more choice and flexibility in how it moves freight around Australia and will allow businesses to better manage their supply chains due to the improved viability of the coastal shipping sector:
 - Companies will be able to use spot hire at short notice for passengers or cargo as only a single voyage is required to apply for a new TL;
 - Application processes will be streamlined to remove unnecessary delays and inefficiencies such as the need to consult when there are no relevant GL holders and the need to submit different types of variation applications with differing consultation timeframes;
 - Voyage notification requirements will be streamlined and tolerance limits increased to alleviate unnecessary administrative burden on industry.
- Australian refineries and dry-dock facilities will be provided with more work as they are brought under the coverage of the regulatory framework, removing the risk of importation under the *Customs Act 1901*.
- Unclear aspects for the legislation will be clarified, allowing greater transparency and understanding by industry, as well as assisting Government administration.
- The reforms are expected to gradually exert downward pressure on freight costs creating incentives for business to utilise coastal trading. This change in transport mode should drive an increase in capacity as more vessels would be available to carry cargo on coastal trading voyages, which in turn should create more competition, further applying downward pressure on freight costs. These impacts will be expected to develop over time as industry changes and adapts their business practices to take advantage of the new regime.

1. Overview of Problem

The Coastal Trading Act implements a tiered licensing structure which requires all vessels that undertake coastal trading to conduct voyages under a licence. Australian flagged vessels operate under a General Licence (GL) which gives them unrestricted access to the Australian coast, whereas foreign vessels operate under a Temporary Licence (TL) which provides restricted access to engage in specific coastal trading voyages for one year. Emergency Licences are also available for vessels to respond to significant national emergencies; this licence is valid for no more than 30 days.

The current system has various conditions for licence holders and requirements to be met before a licence is granted. GLs are relatively straightforward to obtain provided the vessel is Australian flagged. The conditions placed on a GL holder are also not stringent; reporting is done on an aggregate basis annually and individual voyages do not have to be applied for. Conversely, the requirements for and conditions placed on a TL are more stringent. The owner, charterer, master or agent of a vessel, or a shipper must apply for a minimum of 5 voyages to be eligible for a TL. These voyages must specify the number of voyages, the number of passengers or volume of cargo to be carried, the expected loading dates, the type and size of vessel (if known), the name of the vessel (if known), the ports of embarkation and disembarkation and whether the cargo contains any dangerous goods. In addition, once granted a licence, notification of certain details about each individual voyage must be provided 2 business days before loading and a final report on each voyage submitted 10 business days after completion.


It is important to note that there is a significant cost disadvantage to shippers if compelled to use an Australian ship over a foreign ship. The cost of an Australian crew is in the order of \$4 million more per annum than foreign crew. In addition, the demurrage charged by an Australian ship is approximately \$27,000 per day compared to approximately \$10,000 per day for a foreign-flagged ship. The cost of shipping services in Australia have also risen in recent times, against the global trend. Between 2012 and 2016, nominal shipping rates in Australia rose from 3.02 cents per net tonne kilometre to 3.14 cents per net tonne kilometre (excluding Tasmania).² Publically available information suggests that globally, spot freight market rates for containers fell in all freight markets between 2009 and 2015³ and the price of shipping dry bulk has dropped substantially between 2014 and 2016⁴. These factors mean that the increased presence of foreign ships could allow Australian shippers to be more competitive.

The Coastal Trading Act, however, creates a range of administrative issues for businesses reliant on shipping services (e.g. manufacturers, resource companies, primary producers and exporters) and shipping companies seeking to engage in coastal shipping and requiring a TL. The significant administrative burden created by the current framework makes it unattractive for foreign ships to enter the coastal trading

² Bureau of Infrastructure, Transport and Regional Economics (2017), Freight Rates in Australia BITRE, Canberra – page 2

³ UNCTAD Review of Maritime Transport 2016 (UNCTAD/RMT/2016) page 52.

⁴ UNCTAD Review of Maritime Transport 2016 (UNCTAD/RMT/2016) page 56.



sector. Concerns raised by stakeholders included the ‘inflexible’ and ‘cumbersome’ nature of the licensing system and the lack of competitiveness for Australian shippers. Many stakeholders argued that the combination of these issues generate unnecessary costs for shippers, and consumers. The administrative issues are outlined below:


- **Minimum voyage number limitation:** A TL cannot be obtained for a single voyage, so applicants must know in advance the details of five voyages. In some cases, this makes the system impractical for international shipping companies which might otherwise conduct coastal trade at the end of an international voyage to Australia before departing. This requirement also tends to impact Australian businesses seeking to use spot hire (tramp traders), or other vessels under contracts of affreightment, at short notice for passengers or cargo. As opposed to liner shipping, tramp ships trade on the spot market with no fixed schedule or itinerary of ports of call. This minimum voyage requirement means that shippers may be compelled to use other modes of transportation instead of shipping, which may not be as cost effective. For example the cost of moving freight by road is 9.08 cents per net tonne kilometre, as opposed to the 3.14 cent rate for shipping (excluding Tasmania).⁵ Similarly, the price of rail is higher than that of shipping at 4.32 cents per net tonne kilometre.⁶ Despite a global oversupply of shipping services and the price of moving the major raw materials by sea reaching its lowest level ever in 2016, Australian shippers cannot take advantage of cheaper shipping services.
- **Consultations on TL applications:** The licensing framework for new TLs involves in-built delays (a minimum 48 hours) even when there are no Australian licensed ships that are suitable to carry the cargo or transport the passengers (for example, there are no Australian LPG tankers). This process creates costs for businesses due to uncertainty and delays in the consideration of their application. In a dynamic industry such as shipping, even small delays can be quite significant and costly. The Australian Institute of Petroleum (AIP) for example, submitted that the current legislation makes it difficult for Australian fuel suppliers to make short-term decisions to optimise the Australian fuel supply chain to meet fuel supply needs. AIP attributes this difficulty to the lengthy approval times, the complex approval process and the excessive paperwork around the current licensing system. The petroleum industry is therefore one example of a sector that would benefit from streamlining consultation where there are no Australian ships, as there are no Australian oil or gas tankers.

Information about all new voyages or variations to TL applications are provided by the Department to GL holders and other interested parties, allowing them to provide notice that a GL vessel is available to conduct any of the notified voyages. This triggers a mandatory consultation process between the applicant and the GL holder that may be arbitrated by the Department and can further delay decisions on applications.

- **Licence variations:** The uncertainties associated with commercial operations of the industries that rely on coastal shipping mean that the plans of shippers frequently change, for reasons that range from factors driving the production decisions of raw material suppliers to uncertainties associated with consumer demand. TL applicants must nominate voyages in advance for approval, and therefore

⁵ Bureau of Infrastructure, Transport and Regional Economics (2017), Freight Rates in Australia BITRE, Canberra – page 2

⁶ Ibid.




frequently need to seek variations to the authorised cargo types or volumes carried, the loading and discharge ports, and/or the dates voyages are to be undertaken. The Department estimates the aggregate regulatory cost of licence variations as being \$83,135 for industry per year. In 2015-16, the Department received 1370 application to add or alter existing voyages, which had a combined licensing cost of \$373,800.

Once the updated information is known, the TL holder is required to lodge an application for a variation at any time before two business days of sailing. An application to vary authorised voyages costs a further \$200 per application, and applications to vary TLs to include new matters cost an additional \$400 per application. These requirements of the Coastal Trading Act impose additional regulatory burdens on businesses that use shipping without any clear benefits for Australian licensed shipping. These requirements also lead to costs for businesses due to delays in moving cargo while waiting for licence approvals.

- Voyage notification requirements: under the current regime, licence holders are required to notify the Department of the details of a voyage before the vessel begins loading. These voyage notifications must be provided 2 business days before a voyage with the same information also to be reported 10 days after the voyage is conducted. There is scope for this requirement to be streamlined to reduce the regulatory burden on industry. The regulatory cost of voyage notifications has been estimated by the Department as being \$48,625 for industry each year.
- Tolerance limits: under the current regime there is a tolerance window of 5 days for the loading date stipulated on a licence and a tolerance window of 20% for the volume amount stipulated in a TL. For example, if a licence authorises a voyage to carry 100 containers on 20 May 2017, a vessel can load between 80-120 containers between 15-25 May 2017 without breaching a condition of the licence. These tolerance limits were intended to allow for industry to adapt to unforeseen or unplanned changes to cargo or vessel movements, but have been the most regular cause of breaches of the legislation as they do not reflect industry's operating model. Complying with these tolerance limits can have significant costs to industry, for example when unable to carry additional cargo to avoid breaching the legislation. Tolerance limits also impose an indirect cost on industry, as licence holders are forced to apply for and wait for variation applications to be granted to prevent tolerance breaches. The Department estimates that the current application delay cost is approximately \$2.6 million for industry per year. This cost is partially reflective of the uncertainty and potentials delays associated with tolerance limits.

Other problems with the current framework:

- Tiered licensing system: the current regime provides for a tiered licensing system consisting of GL, TL and Emergency Licences. An Emergency Licence has never been granted under the current system as the required criteria has never been met. Given an Emergency Licence has never been granted over the history of the regime, this category is largely redundant, and it would make more administrative sense to allow for GLs and TLs to be granted in certain emergency situations. This will have the effect of streamlining the tiered licensing system and making it more simple to use and administer.
- The current geographical reach of the Coastal Trading Act: the current regime does not extend to offshore facilities. As a result, the carriage of petroleum products from offshore installations in



Australian territory to the mainland is not covered. Without the shield from Customs importation that a TL provides, petroleum companies are discouraged from bringing petroleum products to Australian refineries and instead ship these products to refineries overseas.

- Dry docking: the current definition of coastal trading in the legislation does not extend to dry-docking. This discourages vessels from docking for service in Australia to undertake repairs, cleaning or painting as they would need to be imported by Customs if they choose to dock for service. As a result, foreign vessels are not bringing business to the Australian dry-docking industry. The current coastal trading regime is one barrier to Australian dry-dock facilities reaching their potential; an amendment to the legislation will allow these businesses to grow.
- Certain aspects of the legislation require clarification so minor technical amendments have been proposed to assist with administration of the regime. As they currently stand, these provisions cause costs to Government stemming from administrative difficulty, and costs to industry due to a lack of transparency and clarity in what is required by the legislation. Potential clarifications include:
 - Clarifying that the ‘person’ referred to in section 43 (1) of the Coastal Trading Act must be a holder of a TL;
 - Clarifying what constitutes a ‘port in a State or Territory’ in section 6 of the Coastal Trading Act;
 - and
 - Requiring the provision of an International Maritime Organization (IMO) number in voyage reports to assist with identifying vessels.


The problems outlined above highlight significant regulatory issues with the regime. Immediate attention is required from Government to correct these problems to ensure the viability of the coastal shipping sector.

There also remains the issue of ensuring critical maritime skills are developed and maintained in Australia. As a trading nation and an island, Australia will always require such skills. Regardless of the number of the vessels in the Australian trading fleet, shore based roles such as harbourmasters, pilots and tug boat operators in the 70 ports around Australia will be necessary. A declining fleet and the inability of Australian seafarers to find berths to complete their seafarer training endangers Australia’s ability to maintain these skills. Option 3 is aimed at ensuring that these critical seafarer skills are developed and retained.

2. Objectives of Government Action

Successive governments have recognised the importance of shipping to the Australian economy through its facilitation of trade, and repeated reviews have sought to craft regulatory solutions to grant Australian industry access to the most competitive shipping services possible while providing opportunities for the continuation and development of an Australian flagged fleet.

A steady decline in the number of Australian registered ships providing services on the coast has led to a situation where demand for services outstrips the available supply. This situation has necessitated the use of foreign registered ships to carry domestic cargoes in a number of areas. In some cases the only vessels capable of carrying particular cargo are foreign flagged.



Coastal shipping therefore has the potential to play an increasingly significant role in our freight transport network. As freight demands on our national transport network grow, coastal shipping can take long-distance cargo off our highways and railway lines. Currently, 15 per-cent of Australia’s domestic freight is moved by ship but with Australia’s extensive coastline and broad network of ports, there is scope for this figure to increase. The Australian Government remains committed to reforming the coastal shipping regulatory regime to ensure this potential is realised. The impacts of the changes should create the opportunity for onshore Australian industry, including those providing dry-dock services, to over time, build their business, creating more jobs. It should be noted however that these positive benefits will only be realised gradually, and any benefits may still be restricted by wider market factors and other issues that affect the Australian and global shipping industry.

The key objective of the Government’s coastal shipping policy is to stimulate growth in maritime transport with flow on benefits to other industries by removing the existing administrative burden on shippers and ship operators conducting business in Australia under the Coastal Trading Act. Removing this regulatory burden will improve the viability of coastal shipping as an option for businesses when deciding which mode to use to move their freight. Importantly, the Government will remove this regulatory burden while still maintaining the basic structure of the current regime. As a result, certain rights will still be available to Australian flagged vessels that are not available to foreign ships, such as the right to contest certain voyages. By having access to efficient transport services and a genuine choice between the different modes, Australian businesses will be able to further optimise their business models and save costs.

The reforms are expected to exert downward pressure on freight costs creating incentives for business to utilise coastal trading. This change in transport mode should drive an increase in capacity as more vessels would be available to carry cargo on coastal trading voyages, which in turn should create more competition, further applying downward pressure on freight costs. These impacts will be expected to develop over time as industry changes and adapts their business practices to take advantage of the new regime.

3. Policy options

The Department has considered three policy options outlined below, aimed at ensuring coastal shipping becomes a safe, secure and efficient part of the national transport system.

I. Option 1: Maintain the status quo with no changes to the regulatory regime

This option involves continuing to administer the current framework for coastal shipping without enacting any legislative changes. This option was considered due to the fact that a small minority of industry stakeholders consider the current framework to be adequate for the regulation of coastal trading. This option is not considered viable as there are significant administrative issues with the current regime that can only be rectified with legislative change. In addition, the majority of stakeholders who have been consulted want significant changes to the regime that cannot be achieved simply through administrative changes. These stakeholders are largely users of the system, i.e. licence holders who are regulated by the Coastal Trading Act. This highlights the fact that industry is impacted by the regulatory burden imposed by this regime.

II. Option 2: Introduce amendments to the current regulatory framework

This is the preferred option and involves the introduction of amendments to remove aspects of the regulatory framework reported as being unreasonably limiting, inflexible or onerous for industry without fundamentally changing the basic structure of the regulatory regime. The proposed amendments to the Coastal Trading Act would:

- remove the five-voyage minimum requirement for issuing TLs;
- streamline the consultation process where no GL vessels are available. This will likely be achieved by designating certain trades as contestable due to an active Australian flagged vessel being available, all other trades will be exempted from consultation;
- streamline the TL variation process to replace the two different types of licence variation application with a simplified single process;
- amend the voyage notification requirements and the tolerance limits on cargo volume and loading date variations;
- extend the geographical reach of the Coastal Trading Act by amending the definition of ‘coastal trading’ to include voyages to and from other defined places within Australian waters such as offshore installations;
- allow dry-docking as part of coastal trading; and
- make minor technical amendments to assist with administration including clarifying what constitutes a port in a state or territory and clarifying that agents can apply for a TL on behalf of owners and masters of a vessel.

These amendments do not significantly alter the policy intent of the current Coastal Trading Act. They also do not alter the existing objectives of the legislation. They introduce minimal change to the existing tiered licence structure by removing the Emergency Licence category and instead allowing for TLs to be issued in emergency situations. Minor technical amendments will make the framework clearer to industry as well as assisting Government to administer the regime efficiently and effectively. These amendments have the potential to reduce costs for shippers and will remove the barriers that currently face many foreign flagged vessels under the current system.


The application of existing workplace relations laws will be unchanged.

III. Option 3: Progress seafarer training initiatives

This is a non-regulatory option and is aimed at addressing concerns raised by industry about the retention and development of critical maritime skills in Australia. The option does not address the wider problems around coastal shipping regulation already identified in the RIS. As a result, this option, unlike the other two, seeks to highlight a key focus area of improvement in the maritime industry, which if resolved can contribute to the effectiveness of domestic shipping.

The Coastal Shipping Reforms Discussion Paper canvassed four training initiative options. These were as follows:

- Establish an Industry Maritime Workforce Skills and Training Reference Group
 - This working group would be provided with specific Terms of Reference for the development and implementation of a strategy to establish, train and maintain a



sustainable maritime workforce that meets the needs of all facets of the Australian maritime industry now and in the future.

- Implement a government maritime training support scheme
 - This training support scheme could support courses approved by the Australian Maritime Safety Authority and recommended by the Industry Maritime Workforce Skills and Training Reference Group for the training of officers, officer cadets and ratings. The principal objective of such a scheme would be to meet Australia's economic and strategic requirements, both at sea and ashore. The SMaRT scheme in the United Kingdom is an example of a scheme that could be emulated as part of any Australian Government initiative. The SMaRT scheme funds training towards seafarers' first and second certificates of competency, watch rating training and also rating to officer conversions. SMaRT covers up to 50% of actual training costs and is paid to the shipping companies who sponsor the trainees, not to individuals or colleges. Eligible shipping companies must apply to become a Training Provider before they are able to claim for eligible trainees. This scheme has been proposed as a model due to it being recommended by industry bodies as well as the fact that delivering training via a company attempts to ensure the trainee will secure a berth to complete any practical components (thereby solving issues relating to lack of berths).
- Develop a public-private partnership arrangement with industry
 - This public-private partnership would involve an arrangement between government and industry to fund berths for Australian seafarers. A declining Australian fleet means there are fewer berths available for Australian trainee seafarers. A public-private partnership which increases the number of berths available could alleviate this issue. The exact details of responsibilities under such an arrangement would need to be finalised following further consultation with industry.
- Introduce a maritime workforce census
 - This census would be funded and overseen by the Government and would be run at regular intervals, potentially every three years. The census would provide an evidence base for workforce and skill demand predictions and workforce planning.

This option would be most effective in a scenario where restrictions to coastal shipping are removed (Option 2). However, it is possible that these initiatives could be implemented independent of Option 2 being progressed. All of these initiatives will require a funding mechanism to be implemented. One proposal put forward in the Discussion Paper involved the creation of the fund derived from payments by shipowners equivalent to wages that would normally be paid to foreign seafarers under Part B of the Seagoing Industry Award 2010. The training initiatives themselves stemmed from recommendations from a private consultant as well as a previously government funded maritime body, the Maritime Workforce Development Forum. Consultation on the initiatives was mixed, and as a result it is not a preferred option to pursue these initiatives at this time. However, the proposed initiatives provide a strong basis for further Government action in this area in the near future. The Department will work with other agencies and

industry with a view to creating a viable seafarer training initiative program with the above initiatives as its basis.

4. Impact Analysis

I. Option 1 – Status quo

This option would maintain the current regulatory regime which has a range of administrative issues that cause burden for businesses with no discernible benefit. If this regime continues to remain in place, there is no viable way in which coastal shipping can play a greater role in the national freight network.

Regulatory Burden Measure

The regulatory burden costs for businesses using the current licence system was calculated at \$3.02 million per year, agreed with OBPR. This figure takes into account the cost of ongoing compliance with the Coastal Trading Act in terms of licence fees as well as the ongoing time cost, including time spent submitting applications and training staff on application processes. The figure does not take into account wider costs to manufacturing, petroleum, tourism, agriculture and other industries that bear the cost of the current uncompetitive and administratively cumbersome framework. If these factors were taken into account, the cost of the current framework would likely be substantially higher. The assumptions and underlying data making up this regulatory burden estimate were informed by revisiting the costing exercise under previous coastal shipping reform processes with 2015-16 data. The assumptions are as follows:

- The labour cost is assumed as being \$68.79 per hour, this includes non-wage labour on-costs and overheads
- it takes 1 hour to apply for a new temporary licence, 1 hour to apply for a new matters variation and 30 minutes to apply for an authorised matters variation
- it takes 30 minutes to apply for a General Licence and 4 hours to submit an annual General Licence report
- it takes 18 minutes to submit TL voyage reports and TL voyage notifications
- It takes 30 minutes for GL holders to monitor consultation applications daily and 90 minutes to deal with a Notice in Response process
- Training (and the associated costs) are required for staff to use the licensing system
- A business delay cost when waiting for an application to be granted exists based on demurrage (the charge payable to a chartered ship owner on failure to load or discharge the ship within the agreed upon time).

Industry costs and benefits

Description	Affected Party	Impacts
Status Quo	Industry	
	Costs	<ul style="list-style-type: none"> • A range of administrative issues, including: <ul style="list-style-type: none"> ○ Tls cannot be obtained for single voyages or spot charters; ○ Consultation is required even when no suitable Australian vessel is available, which means the consideration of



Description	Affected Party	Impacts
		<p>applications is delayed. This imposes additional cost for businesses due to uncertainty and administrative costs;</p> <ul style="list-style-type: none"> ○ Licence variation processes and requirements do not account for the dynamic nature of the shipping industry; ○ Voyage notification requirements are cumbersome leading to administrative costs for businesses; ○ Tolerance limits do not allow flexibility for shippers; ○ Elements of the framework are uncertain, such as whether an agent can apply for a licence on behalf of an eligible person. <ul style="list-style-type: none"> ● Dry-docking is not covered, as a result vessels are imported if they engage in dry-docking. This affects both the vessel and any Australian facilities that provide dry-dock services. ● Movements of petroleum products between offshore installations and the mainland are not covered, which means it is more profitable for companies to ship these products overseas for refining. This is due to the lack of protection from Customs importation which makes using Australian refineries more costly. ● Shipping costs in Australia will remain uncompetitive and continue to discourage businesses from using coastal shipping as a viable transport option.
	Benefits	<ul style="list-style-type: none"> ● Licence holders have put in place processes to comply with the current legislation. As a result, maintaining the status quo will mean that these businesses do not have to incur costs to change their current processes.
Government		
	Costs	<ul style="list-style-type: none"> ● Government is spending time and money administering certain provisions without any discernible benefit. For example: <ul style="list-style-type: none"> ○ Needing to consult on licence applications even when no suitable Australian vessel is available; ○ Overseeing processes for redundant categories of the tiered licensing system, i.e. Emergency Licences. ● Government needs to administer a framework with elements that remain unchanged, such as what constitutes a port within a State or Territory. ● Government has difficulty identifying vessels without an IMO number being provided in voyage reports.
	Benefits	<ul style="list-style-type: none"> ● Maintaining the status quo will allow the Government to further use and refine the processes that have already been developed in the context of the current legislation. ● No changes to existing IT system will be needed if the legislation remains unchanged.
Community		

Description	Affected Party	Impacts
	Costs	<ul style="list-style-type: none"> Maintaining the status quo will mean that coastal shipping will continue to be a less viable option in the Australian freight network. The associated costs to the community of this include high shipping costs, the associated high costs of goods, reduced viability of the manufacturing industry and more stress being placed on other modes of transport.
	Benefits	<ul style="list-style-type: none"> Little to no benefit.

II. Option 2 - Introduce amendments to the current regulatory framework

Option 2 has the strongest links to the Government’s key objectives in this area and the most positive impact. This option would alleviate the most significant regulatory burdens that industry stakeholders have highlighted with the Coastal Trading Act. It will likely make it easier for businesses to access shipping services and potentially lead to greater participation of vessels on the Australian coast, making shipping a viable alternative to road or rail. The significant red tape reduction that this option generates could save costs for businesses and Government and allow the sector as a whole to become more efficient. The amendments have the potential to cut costs and reduce burden but the actual savings cannot be quantified and any forecast of coastal freight volume increases would be speculative. It should also be noted that concerns regarding the cost of shipping services resulting from workplace relations arrangements will not be addressed by this option. However, there is a view that the administrative requirements around the current framework are a substantial part of the industry’s issues with coastal shipping in Australia and the challenges it faces in regulation. This option is likely to resolve these administrative issues.

This option is considered a sensible regulatory change to create the opportunity for business to take advantage of the expected increased capacity in coastal trading vessels. The operation of foreign flagged vessels undertaking coastal trading voyages is reliant on a variety of international influences including factors like fuel costs and forward positioning requirements, but over time it is expected that there will be a growth in port visits by foreign flagged vessels taking advantage of the decreased regulatory requirements. The increased visits would mean business has greater flexibility and increased options to move cargo around the coast.

Regulatory Burden Measure

The regulatory saving for this option was calculated as \$1.35 million, confirmed by OBPR for self-assessment. This figure takes into account the streamlined application process that effectively means that fewer variation applications would need to be submitted. This saves both application costs and time costs for industry. The streamlining of the notification process also means that less time is spent on submitting voyage notifications to the Department. The figure does not take into account the flow on economic benefits to the manufacturing, agriculture and other shipper based industries that would benefit from a less cumbersome coastal shipping framework. The figure also does not take into account benefits to the petroleum and dry docking industry resulting from these options. If these benefits were considered, the net economic benefit resulting from this option would be far greater than the regulatory savings calculated. In addition to the assumptions outlined under Option 1 above, a more detailed breakdown of the assumptions and underlying data making up this regulatory burden saving is as follows:

- The number of TL applications under Option 2 is assumed to increase by 20% compared to the 2015-16 financial year due to the ability to apply for a licence with less than 5 voyages.
- Under the proposed changes, new matters and authorised matters variations will be combined into one Licence Variation application. It is assumed that licence variations to add new voyages (previously new matters) will decrease by 20% due to the ability to submit TL applications with less than 5 voyages. It is assumed variations to amend existing voyages (previously authorised matters) will decrease by 50% due to the proposed widening of the tolerance limits.
- Number of voyages (and voyage reports) assumed to increase by 5% compared to 2015-16 FY due to ability to apply for a Temporary Licence and make a new matters application with less than 5 voyages. Number of voyage notifications assumed to decrease by 10% as organisations are not required to submit notifications for voyages where no details change from their licensed voyage.
- A reduction in the number of days delay due to waiting for a variation application to be decided has been assumed as a result of broadened tolerances (down from 3 to 1.5 days per business). In other words, broader tolerance limits reduce the likelihood of a licence holder needing to submit a variation application.

Industry costs and benefits

Description	Affected Party	Impacts
Introduce amendments to the current regulatory framework	Licence Holders / Shippers	
	Costs	<ul style="list-style-type: none"> • Businesses may need to change current practices and processes to comply with the new changes to the framework. This may involve retraining staff and altering IT systems which could result in minor costs to businesses. • This option may result in greater participation of vessels on the Australian coast due to the reduction of administrative barriers. This may result in certain members of industry experiencing costs in order to remain competitive in a busier market, e.g. vessel operators that have not had to compete with many other operators in their particular category of trade. However, given that limited consultation still exists under this option, the increased competition that may disadvantage Australian operators will be limited. • Shipping's share of the domestic freight task may increase due to this option. There is a marginal risk that this will negatively affect businesses involved with other transport modes such as rail and road. However this impact is unlikely to be significant.
	Benefits	<ul style="list-style-type: none"> • The removal of the five voyage requirement will allow businesses to use spot hire at short notice and for ships to conduct single voyages. This will reduce shipping costs for businesses and create more work for shipping companies. The impacts of the changes will be felt over the long term as downward pressure on costs will be gradual. • Removing the need to consult when no GL vessel is available will result in more certainty for businesses and administrative savings.

Description	Affected Party	Impacts
		<ul style="list-style-type: none"> • Streamlining the TL variation process and amending notification requirements will save businesses administrative costs. • Amending tolerance provisions will give businesses greater flexibility that is reflective of the dynamic nature of the shipping market. • Removing the Emergency Licence category makes the legislation clearer and simpler for industry. • Extending the geographical reach of the framework will allow vessels to carry petroleum from offshore installations to the mainland. This will not only benefit the operators of these vessels, but also Australian refineries which may be uncompetitive internationally. By allowing vessels to be shielded from importation when transporting liquid fuel from offshore facilities to ports in Australia, this option will make the use of Australian refineries more viable as operators may be able to minimise tax and other administrative costs related to importation. • Allowing dry-docking as part of coastal trading will allow vessels to undergo repairs in Australia without being imported. It may lead to more work for the Australian dry-dock industry. Encouraging dry-docking in Australia could lead to positive impacts on the Australian economy, the Department understands from stakeholder submissions that expenditure on dry-docking can be in excess of \$15 million per dry-dock. The economic benefits flowing from dry-docking are a 'best case scenario' and this economic benefit will be difficult to achieve without additional growth in dry-dock service sector. • Clarifying that agents can apply for a TL on behalf of owners or masters of a vessel will simplify administrative processes for industry. • Foreign shipping companies and Australian shippers will be able to benefit from the reduced regulatory and administrative burden that arises out of this option. • Specifically, the reduced regulatory burden placed on industry may reduce shipping costs overall. This reduction in costs will benefit shippers such as manufacturers who will find it easier to move their products for further refining (e.g., it may become cheaper to move alumina to smelters for refining). • These reduced shipping costs may also benefit consumers, as businesses will be able to reduce supply chain costs associated with bringing products to market. For example agricultural producers may find it cheaper under this option to move their products to market; this cost saving could then be passed on to the consumer.

Description	Affected Party	Impacts
		<ul style="list-style-type: none"> This option may also result in increased visitation by ships to Australia. According to the Australian Maritime Safety Authority's Port State Control 2016 Report, in 2016 there were 27,516 arrivals by 5719 foreign-flagged ships to Australia. By reducing the administrative burdens around applying for and holding a temporary licence, this number may increase. This increase in ship visitation will subsequently provide more choice for shippers and will likely lower the price of shipping services, making Australian businesses more competitive and their operations more cost effective. The share of the freight task undertaken by shipping may increase as a result of this option being progressed. Currently, only around 15 percent of the domestic freight task is moved by ship. There is scope for this percentage to increase with decreased regulatory burden on industry making shipping a more viable option compared to other modes of transport.
Government		
	Costs	<ul style="list-style-type: none"> There will be an initial cost to Government to create a new or amended online licensing system that will account for these legislative changes. The Government will need to do additional work to ensure that new administrative processes are created in line with the legislative changes.
	Benefits	<ul style="list-style-type: none"> This option will greatly reduce the processes that Government will need to undertake to administer the Coastal Trading Act. This will result in a cost saving to the Government. The minor technical amendments in this option will assist with the Department's administration of the framework. Specifically: <ul style="list-style-type: none"> Clarifying that the 'person' referred to in section 43 of the Coastal Trading Act must be a holder of a TL; Clarifying what constitutes a port in a State or Territory under the legislation; Requiring TL holders to provide IMO numbers in voyage reports to assist in readily identifying coastal trading vessels.
Community		
	Costs	<ul style="list-style-type: none"> Little to no costs for the community.
	Benefits	<ul style="list-style-type: none"> This option will ensure that there is more choice for shippers to move their cargo. This will lead to lower costs for Australian businesses and the wider community. By encouraging shipping to carry an increased share of the Australian freight task, there will be less stress placed on other modes such as road and rail. This will lead to safer roads and a

Description	Affected Party	Impacts
		<p>more environmentally friendly transport network as shipping is the mode of freight transport with lowest emissions.</p> <ul style="list-style-type: none"> This option will benefit regional communities which will have better access to shipping to move their goods to market, as well as encouraging more expedition cruise ship visits to these areas.

An examination of the specific regulatory reductions under this option also highlights the positive impacts of the proposed amendments. The specific regulatory burden reduction estimates can be broken down as follows:

Regulatory change	Regulatory Burden Reduction Estimate
Streamlining the TL variation process	\$29,207
Streamlining of voyage notification process	\$4,869
Amending tolerance requirements (business delay costs due to waiting for an application be decided)	\$1.32 million

III.Option 3 – Progress seafarer training initiatives

Option 3 is clearly linked to the Government’s objective of supporting the development and retention of Australian seafarer skills. However, this option does little to address the Government’s objective of creating an efficient and viable coastal shipping sector. As it does not address this critical component of the Government’s priorities, it cannot be considered a viable option in isolation.


Industry costs and benefits

Description	Affected Party	Impacts
Progress seafarer training initiatives	Industry	
	Costs	<ul style="list-style-type: none"> Certain aspects of this option would result in direct financial costs for industry. The development of a public-private partnership would mean that certain industry sectors would have to fund berths for seafarers. Similarly, if the option to fund these initiatives involve a payment by shipowners equivalent to wages paid under Part B of the Seagoing Industry Award 2010, then this would also result in a direct financial cost for industry.
	Benefits	<ul style="list-style-type: none"> This option will benefit the Australian maritime industry by ensuring that a well skilled and sustainable maritime workforce is maintained that will meet all facets of the industry (including the need for pilots, harbourmasters and tug boat operators). This option would benefit the maritime education industry, especially in relation to the maritime training support scheme.

Description	Affected Party	Impacts
		Such a scheme would create more business for institutions specialising in maritime training.
	Government	
	Costs	<ul style="list-style-type: none"> • There will likely be financial costs for Government in setting up the initiatives outlined in this option. Specifically: <ul style="list-style-type: none"> ○ The establishment of an Industry Maritime Workforce Skills and Training Reference Group will require resources to set up the group and remuneration of members; ○ implementing a maritime training support scheme would require significant financial support from the Government as the scheme involves subsidising education and training for seafarers; ○ developing a public-private partnership will mean that Government will need to at least partially fund berths for seafarers; ○ introducing a maritime census will require resources and funding. A census conducted at regular intervals will impose additional cost.
	Benefits	<ul style="list-style-type: none"> • The Government may save costs in the longer term by ensuring that future essential maritime skills are retained. In other words, this option may prevent a major skills shortage in the future that the Government would eventually need to address in any case.
	Community	
	Costs	<ul style="list-style-type: none"> • While this option will create more qualified seafarers, it may not necessarily create more seafarer employment opportunities. As a result, there is a possibility that this option may not alleviate issues pertaining to seafarer unemployment.
	Benefits	<ul style="list-style-type: none"> • Current and potential Australian seafarers will have access to more education and training opportunities. • Seafarers are more likely to be ensured access to training berths to complete the practical components of seafarer training. • Skilled shore-based roles, such as harbourmasters, will have a supply of skilled seafarers in the future.

5. Consultation

In developing its strategy for amending the Coastal Trading Act, the Government consulted extensively with industry stakeholders. Consultation included meetings and the circulation of a discussion paper. The consultation strategy targeted a broad range of stakeholders, including: shippers, ship owners, maritime industry employees, unions, other Government agencies and business associations.



The Government has previously attempted to reform the Coastal Trading Act. Earlier consultation for the Shipping Legislation Amendment Bill 2015 has been considered as part of this consultation process.

Consultation – Discussions with Stakeholders

On 20 April 2016, Minister Chester hosted three individual consultation meetings with:

- Maritime Union Australia;
- Australian Maritime Officers Union; and
- Australian Institute of Marine Power Engineers.

Discussions were centred on maintaining critical Australian maritime skills.

On 27 April 2016, Minister Chester also hosted two meetings, one attended by users of coastal shipping and the other by stakeholders with passenger shipping interests. Users of coastal shipping were principally concerned with the red-tape and lack of flexibility in the current regime, resulting in unnecessary costs. Stakeholders commented that improving the administration of the Coastal Trading Act would have flow-on benefits for manufacturers, primary industry producers and consumers. Passenger shipping stakeholders highlighted extending the large cruise ship exemption and the potential exemption of superyachts from Coastal Trading regulation as important concerns.


Stakeholders attending both meetings commented that policy stability and bipartisan support ensures commercial stability. Stakeholders also felt that industry could do a better job promoting the value of the coastal shipping sector to the public.

Minister Chester also held individual consultations with the Australian maritime industry representative body, Maritime Industry Australia Limited, and the representative of foreign flagged ships operating in Australia, Shipping Australia Limited.

Consultation – Discussion Paper Process

On 21 March 2017, Minister Chester released the Coastal Shipping Reforms Discussion Paper seeking stakeholder views on a range of proposed legislative amendments and proposed seafarer training initiatives. The amendments aim to provide greater flexibility to buyers and suppliers of shipping services and allow a path forward for coastal shipping reform to be agreed by all relevant parties. The aim of these proposed amendments is to ensure safe, secure and efficient coastal shipping as part of Australia's national transport system. The seafarer training initiatives are designed to develop and retain critical maritime skills in Australia. The amendments were informed by consultation with stakeholders and consultation with other Government Departments, including: Immigration and Border Protection, Employment and Training and the Treasury.

The Department received 67 submissions, with the majority in support of the proposed amendments. Almost all stakeholders expressed concern and dissatisfaction with the current coastal shipping regime. Shippers, shipping companies and unions agreed that the current regime is expensive, inefficient and fails to protect maritime skills in Australia. Stakeholders, including Arrium Mining and Minerals Limited, identified that there were mechanisms within the Coastal Trading Act which could be modified to achieve greater flexibility and better affordability in Australian shipping. There was clear agreement that the requirement to nominate five voyages for a TL should be removed and that contestability should be



removed where there are no GL vessels capable of servicing a sector (as is the case in the petroleum industry). It has been the experience of stakeholders such as Wilmar Sugar Australia and the Australian Food and Grocery Council that it is impractical to forecast the dates of five voyages because it is impossible to accurately predict the timing requirements of future cargo.

Over 57 per-cent of stakeholder responses supported some or all of the proposed amendments. Generally, the manufacturing sector, the petroleum industry, primary industry stakeholders and shippers were in favour of amendments designed to reduce red tape and decrease shipping costs. Many stakeholder submissions recognised, as explained by the Freight and Logistics Council of Western Australia, that the proposed amendments do not impact the basic structure of the current regulatory regime, but rather seek to make its application more effective. According to Shipping Australia Limited, adherence to the current coastal trading licensing regime is time-consuming and complex. Some shipping lines have five separate desks involved in managing the day-to-day tasks associated with managing coastal trading licensing obligations. Generally, it was the view of stakeholders that the proposed amendments aimed to streamline the TL variation process. Amending voyage notification requirements and amending tolerance provisions will effectively reduce unnecessary bureaucratic burden that fails to achieve any practical aims.

It was also recognised by a majority of stakeholders, including the Maritime Industry Australia Limited, that abolishing Emergency Licences and modifying the criteria for issuing GLs and TLs to allow for emergency situations is a sensible change as no Emergency Licences have been granted under the regime to date.


It was the perspective of many stakeholders that extending the geographical reach of the Coastal Trading Act to include voyages to other defined places within Australian territory will ensure that certain industries, such as the petroleum industry, are better served by coastal shipping. BP, Mobil Oil and the Australian Institute of Petroleum agreed that the amendment would likely increase the supply of Australian crude oil to Australian refineries.

Similarly, most stakeholders agree that the current definition of coastal trading, which does not allow for dry-docking, has significant negative implications on the coastal trading sector. Amending the definition attracted the in-principle support of a majority of the submissions. Stakeholders agreed that allowing dry-docking will increase use of Australian facilities and provide certainty to operators of vessels undergoing scheduled maintenance.

Almost all submissions were supportive of the proposed minor technical amendments, understanding that they will provide clarification and streamline administration. The 38 supportive submissions are of the view that the proposed approach to amending the Coastal Trading Act represent a practical first step in reducing administrative burden. Many expressed the view that further deregulation should be pursued at a later stage.

Almost 25 per cent of the stakeholder submissions were unrelated to the proposed amendments canvassed in the Discussion Paper. These submissions advocated for small cruise ship exemptions, tax breaks for seafarers and other matters only peripherally associated with coastal trading.

Reactions to the proposed seafarer training initiatives were more varied. Approximately 44 per cent of the submissions put forward were generally supportive of the initiatives. However, a large number of submissions failed to address the ideas at all, or did not address the proposals in sufficient detail. Given the mixed reaction to these changes, it is prudent for the Government to not implement these proposals



immediately. Instead, the Government should use these proposals as a basis for further work on instituting policies aimed at developing and retaining critical Australian maritime skills.

Further Planned Consultation

If the Minister decides to release an exposure draft of the Bill, the Department will engage in consultation with those regulated by the Coastal Trading Act. These stakeholders are those eligible to hold a Licence under the legislation, including: shippers, charters and ship owners as well as those offshore operators who will be eligible to operate under the amended Act. Following the targeted consultation, further amendments to the Coastal Trading Act may be considered as appropriate.

6. Recommended Option

The preferred option (Option 2) is considered to provide the most effective and efficient solution to the stated problem. Although there may be some cost to industry to change its systems to accommodate the legislative amendments, these will be relatively minor system changes. The overall benefits to industry as well as the wider community outweigh the costs. Under this framework:

- Businesses will be afforded more choice and flexibility in how they move freight around Australia due to the improved viability of the coastal shipping sector;
- Australian business will be able to use spot hire at short notice for passengers or cargo as only a single voyage is required to apply for a new TL;
- Application processes will be streamlined to remove unnecessary delays and inefficiencies such as the need to consult when there are no relevant GL holders and the need to submit different types of variation applications with differing consultation timeframes;
- Voyage notification requirements will be streamlined to alleviate unnecessary administrative burden on industry;
- Shippers can be more flexible while managing their supply chains due to greater flexibility with tolerance limits;
- Australian refineries will be provided with more work as vessels can move petroleum from offshore installations to the mainland without being imported;
- Australian dry-dock providers will be provided with more work as vessels can dry-dock without being imported;
- Unclear aspects of the legislation will be clarified, allowing greater transparency and understanding by industry, as well as assisting government administration.

Option 2 does not solve the problems regarding seafarer skills. However, pursuing this option also does not prevent any further work by the Government in addressing seafarer training issues. Option 2 would alleviate the non skill related problems outlined in Section 1: “Overview of the Problem” to the extent possible without fundamentally altering the structure and objectives of the current regime. As a result, this option should be pursued in order to ensure the viability of the coastal shipping sector as part of the national transport system.

7. Implementation and Review

Implementation

Implementation will follow the steps below.


Activity	Date
Minister to seek Cabinet's approval to progress legislative amendments	August 2017
Following Minister's approval, draft Bill circulated to stakeholders for comment	September 2017
Further amendments made to Bill based on stakeholder comment (if appropriate)	September 2017
Changes to the Department's administrative processes and IT system to reflect legislative changes	November 2017 – February 2018
Finalisation of the Cost Recovery Implementation Statement for the amended coastal trading regime	December 2017
Communication and consultation with industry and other interested stakeholders to explain the effect of legislative changes	November 2017 – February 2018
Legislative changes take effect and amended coastal trading regime is implemented	March 2018
Communication with stakeholders regarding the amended coastal trading regime	Ongoing – before and after amended regime takes effect

Evaluation

The Government has existing processes in place to evaluate regulatory frameworks which can be used to evaluate the effectiveness of the preferred option. The mechanisms that will be used to evaluate the preferred option include regular reviews under the regulator performance framework, monitoring by the Cabinet Implementation Unit as well as internal reviews conducted by the Department. The Government will also ensure to continually engage with users of the system as well as other interested stakeholders to determine the effectiveness of the preferred option.

Consultation

There is ongoing consultation with various sectors of industry on coastal trading matters. Once changes have been progressed through Parliament, another consultation phase will commence. An implementation strategy will inform the details. Specifically, it will involve formal workshops with industry stakeholders to



explain the changes in the framework. These workshops will also be an opportunity for the Department to ensure industry understands how the changes will work in practice. It will also assist the Department in finalising information products for the different elements of the new coastal trading legislation. These workshops will commence once legislation has passed. Beyond formal consultation workshops, informal consultation on the amended framework will also be ongoing. The Department is in continuous contact with licence holders over email and the Shipping Business Unit phone hotline while administering the legislation. These means of communication also provide an opportunity for the Department to continually monitor the effectiveness of any amended regime and industry feedback.

Internal Reviews

Internal reviews conducted by the Department will consist of the following:

- assessing the effectiveness of any new Departmental processes and their adherence to any legislative changes two years from the changes taking effect;
- assessing feedback from industry on the positive or negative impacts of the amended regime;
- highlighting how processes could be further improved to more efficiently administer the new regime; and
- highlighting any potential further improvements to the regime that could be considered by Government (if applicable).