



Resourcing Queensland's future

21 January 2019

Committee Secretary
Transport and Public Works Committee
Parliament House
George Street
Brisbane Queensland 4000
via email tpwc@parliament.qld.gov.au

Dear Committee Secretary

The Queensland Resources Council (QRC) is the peak representative organisation of the Queensland minerals and energy sector. QRC's membership encompasses minerals and energy exploration, production and processing companies. QRC works on behalf of members to ensure Queensland's resources are developed profitably and competitively, in a socially and environmental sustainable way.

QRC welcomes the Queensland Parliament Transport and Public Works Committee's (the Committee) inquiry into sustainable Queensland intrastate shipping industry (the inquiry) and thanks the Committee for the opportunity to contribute.

QRC recommends that the Committee:

1. Adopt a definition of sustainable shipping which is consistent with the legislative definition already applied to ports in Queensland.
2. Requests more time for the inquiry to allow a thorough audit of the current intrastate shipping task as well as to better understand the potential to expand the scope of intrastate shipping if key regulatory and administrative barriers could be addressed.
3. Consider a staged approach to the development of their report, with an initial audit stage providing a precursor to a subsequent agenda of proposed reforms.
4. Ensure any response to terms of reference (i) is carefully informed by the work already underway by AMSA on the implementation of the North-East Shipping Management Plan.

In summary, QRC suggests that Queensland's coastal shipping policy should aim to deliver a sustainable integrated, multi-modal freight network. The policy should promote competition in coastal trading and ensure the efficient movement of cargo between Australian ports for all types of freight occurs under fair and reasonable access terms.

Open regulation should encourage competition in the industry by both domestic and international ship owners and drive for consistency across international, Commonwealth and state jurisdictions. This policy would need to retain existing protections around safety and security, competition, quarantine, biosecurity and the Great Barrier Reef.

About Queensland's resource industry

To put the resources industry's interest in shipping into context, the Committee needs to understand that geologically, Queensland boasts a rich endowment of resource wealth, which has seen the state develop a world-class and diverse resource industry that contributes in many ways to our unique quality of life.

Queensland supplies the world with a broad range of elements, energy, minerals and metals; and is fundamentally in the business of supplying the world's economic development. Our resource exports are either energy fuels, like thermal coal and gas, or the building blocks of development (copper, zinc, aluminium and metallurgical coal for making steel).

In 2017-18, the [total contribution to the Queensland economy](#) from the resource industry was \$62.9 billion dollars, supporting one in five dollars in the Queensland economy and one in eight Queensland jobs.

High commodity prices and strong export volumes have seen Queensland's resource industry contribute a [record \\$5 billion dollars in royalties](#) for 2018-19 (Mid-Year Fiscal and Economic Review 2018-19, Table 15, page 31). These royalties help pay for Queenslanders' roads, schools and hospitals, and pay for the teachers that educate our children, the nurses and doctors who look after our health and the police force that keeps us safe.

ABS statistics show that the Queensland resource industry has [created 10,000 jobs](#) over the past year – that's a new job every 40 minutes (Australian Bureau of Statistics (ABS), 6291.0.55.003 - Labour Force, Australia, Quarterly, Nov 2018). The resource industry offers well paid, highly-skilled and high-tech jobs – many of which are in Queensland's regional and rural communities. The same ABS figures show that the mining industry has the country's highest median weekly wage. And the median hourly wage for men and women is close to parity with a gap of \$1.50 or less.

In the year to November 2018, Queensland posted a [record \\$80 billion export](#) milestone with an extra \$10 billion earned through the sale of Queensland coal, minerals and petroleum across the globe (Queensland Government Statistician's Office, Exports of Queensland goods overseas, November 2018). [Queensland now exports more](#) than the rust-bucket states of NSW and Victoria combined (Premier, Queensland's exports boom again, 7 December 2017). The latest Queensland Treasury report shows that the State's resource exports had increased to \$65.6 billion – [or 81% of the State's](#) total merchandise exports.

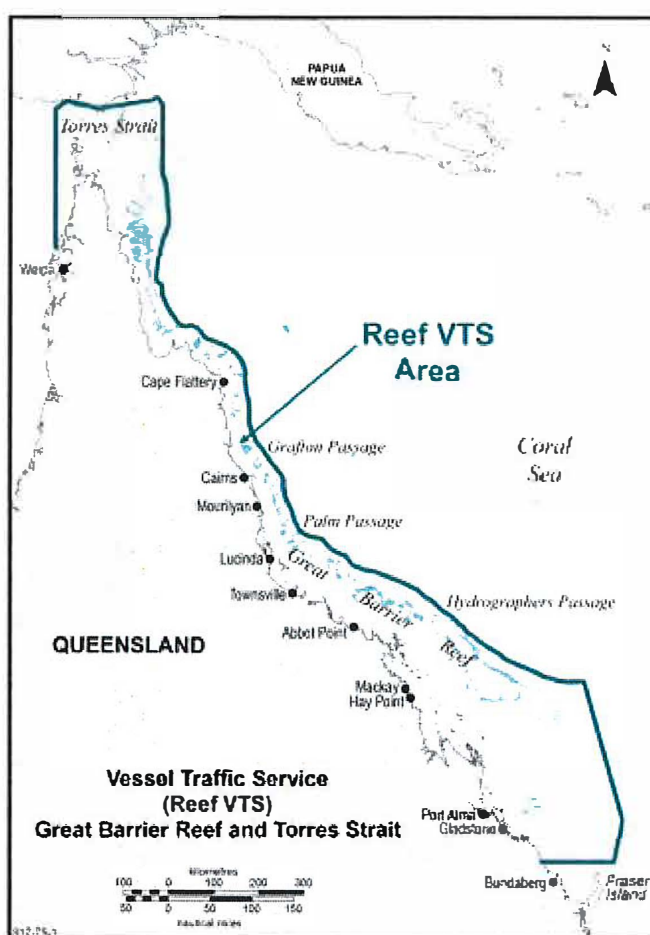
Shipping – the final link in the industry's complex logistics chain

Shipping is Queensland's gateway to international trade, delivering Queensland exports to our global markets. Some of Queensland's busiest ports work in and around the Great Barrier Reef Marine Park. In 2017/18, the ports operating along the Great Barrier Reef represented around 80% of export value from all Queensland ports (Queensland Statistician, 2018).

The resource industry has a strong interest in preserving the biodiversity of the iconic Great Barrier Reef and recognises that the health of both the reef and the industry's operations are intrinsically intertwined. Shipping through a World Heritage area requires a relentless focus on preserving the Great Barrier Reef's outstanding universal values. This requires a continuing focus on risk management to address scientifically documented environmental threats.

Ship movements through the Great Barrier Reef are managed by the world's most advanced maritime safety surveillance system – the Great Barrier Reef and Torres Strait Vessel Traffic Service (ReefVTS). The real-time system, analogous to air traffic control, is designed to enhance navigational safety and minimise the risk of accidents or pollution in the marine environment.

Figure 1: The area of Great Barrier Reef and Torres Strait Vessel Traffic Service ([ReefVTS](#))



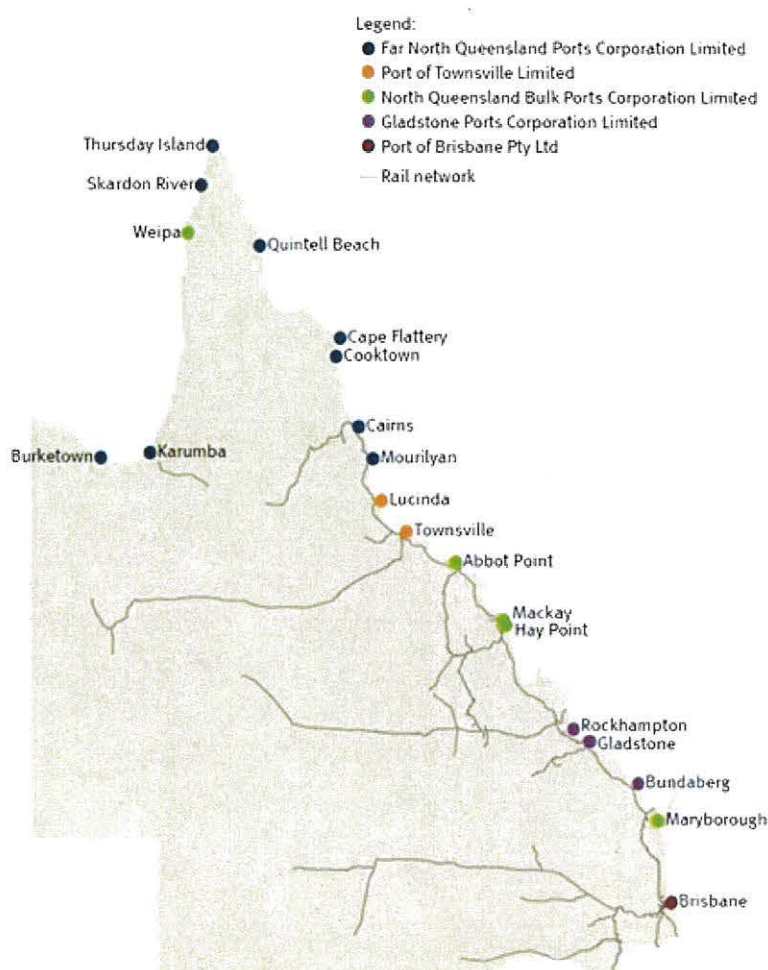
Source: MSQ & AMSA, Great Barrier Reef and Torres Strait Vessel Traffic Service (Reef VTS) – User Guide, 2017, page 5)

In 2017, 11,412 voyages to and from trading ports along the GBR coast occurred within the Marine Park and Torres Strait region; a 4% increase since 2015 (Queensland Government, 2017). Nevertheless, ReefVTS has been effective in managing shipping in the GBR Marine Park. No incidents have occurred within the coverage area of the system since coming into operation. The only recent incident was the grounding of the Shen Neng I in 2010 at Douglas Shoal north-east of Gladstone. The vessel was outside the coverage of Reef VTS, which has since been extended further South.

QRC commends Maritime Safety Queensland (MSQ) and the Australian Maritime Safety Authority (AMSA) on the excellent work that they do in protecting the Great Barrier Reef with ReefVTS. They have [a short video](#) on their website that explains how the system works. QRC would recommend that the Committee take the time to visit MSQ's ReefVTS operations centre in Townsville, which is a state of the art facility.

The distribution of Queensland's ports reflects the state's outward focus on trade, with an extensive network of 20 ports, ranging from small community ports to world-class coal export terminals and a capital city multi-cargo port. The Queensland port system's total throughput in 2016–17 was 336.6 million tonnes (Trade Statistics for Queensland Ports, 2017). Exports were down by 0.8% (2.3 million tonnes) to 291.8 million tonnes. Imports were down by 1.2% (0.6 million tonnes) to 44.8 million tonnes.

Figure 2: The location of Queensland's ports



Source: Department of Transport and Main Roads, [Queensland ports](#)

Many of Queensland's exports are sold on a free-on-board (fob) basis, which means that the ownership of the commodity is transferred to the customer as the ship is loaded. As such, the customer is responsible for arranging the shipping of the exports from Queensland. This means that they select the ship and when it will arrive in Queensland waters to collect the cargo. While these ships must meet all the stringent conditions for operating the waters of Great Barrier Reef – including safety, quarantine, environmental

conditions, compulsory pilotage and the oversight of REEFVTS – the ships are ultimately working for the customers of Queensland producers and not the producers directly.

Sustainable intrastate shipping in Queensland

The Committee has been asked to report on "a sustainable Queensland intrastate shipping industry". QRC suggests that the appropriate definition of the term *sustainable* will be important for framing the committee's response.

Since the Parliament's last [inquiry into coastal sea freight](#) in 2014, the Parliament has passed the *Sustainable Ports Development Act (2015)*. The purpose of this Act is to "provide for the protection of the Great Barrier Reef World Heritage Area through managing port-related development in and adjacent to the area" (s 1). That purpose is explained in sections 2 and 3 of the Act as encompassing:

- 2 (b)** ...establish a long-term vision for the future development of priority ports consistent with the principles of ecologically sustainable development.
- 3 (a)** ...provide a strategic and coordinated approach to managing economic, environmental, cultural and social values in the Great Barrier Reef World Heritage Area.

Schedule 1 of the Act defines 'ecologically sustainable' by reference to section 3A of the *Commonwealth Environment Act (1999)*, which sets out these principles of ecologically sustainable development:

- (a)** decision-making processes should effectively integrate both long-term and short-term economic, environmental, social and equitable considerations;
- (b)** if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation;
- (c)** the principle of inter-generational equity—that the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations;
- (d)** the conservation of biological diversity and ecological integrity should be a fundamental consideration in decision-making;
- (e)** improved valuation, pricing and incentive mechanisms should be promoted.

Clearly this is a very comprehensive definition of sustainable but given that the definition already applies to ports in Queensland, QRC suggests that it sets a consistent basis for defining sustainable shipping. QRC recommends that the Committee adopt a definition of sustainable shipping which recognises the principles of ecologically sustainable development, that considers economic, environmental, cultural and social values, and just as critically, the best use of valuation, pricing and incentive mechanisms.

Sustainable intrastate shipping also needs to be defined so that it is sufficiently broad to capture the upstream and downstream effects of the intrastate shipping industry. As an activity, shipping is generally an enabler of other industries, as a means and not an end in itself. If the sustainability focus is too narrow, there is a risk that it overlooks the importance of the industries and communities that rely on intrastate shipping.

Three examples of Queensland industries that depend on responsive, efficient, reliable and cost-effective intrastate shipping are the processing of bauxite, making cement, and Incitec Pivot's production of fertilizer and explosives. The Port of Gladstone hosts substantial volumes of intrastate deliveries of bauxite from Weipa as well as Australia's largest cement kiln at Fisherman's Landing. The kiln provides lime as a key input to Gladstone's two alumina refineries. Incitec Pivot estimate that each year they transport more than a million tonnes of fertilisers and raw materials along the East Coast.

Each of these industries rely on shipping services as a critical part of their logistics chain. QRC contends that an intrastate shipping industry which does not serve these industries well as customers should not be considered sustainable. In the past, intrastate shipping has suffered from regulatory mandates that have diminished the price and standard of service that they have been able to offer. A transport service that imposes inefficiency and extra costs on their customers should not be considered sustainable.

The importance of an efficient logistics chain is illustrated in a graph reproduced below from Aurizon's [2018 Sustainability Report](#) (page 28). This graph (Figure 12) shows for metallurgical coal landed in India the components of transport cost and the substantial comparative advantage that Australia enjoys over four leading competitors. Any disruption to the shipping service, or increases in the cost of these shipping services, not only affects the sustainability of the shipping industry, but also affects coal industry these ships service and the Indian steel industry that rely on the delivery of Queensland's high-quality coking coal. Inefficiency or regulatory distortions are quickly amplified once their upstream and downstream impacts are considered.

Figure 12 – Land Transport, Port and Sea Freight Costs from Major Metallurgical Coal Export Countries to India (USD/t)²⁴



QRC suggests that the Committee's contemplation of an expanded intrastate shipping industry, under terms of reference (g), needs to encompass the consequences for the Queensland industries those ships service like bauxite, cement, fertiliser and explosives. QRC endorses the more detailed discussion of this point in the submission from the Australian Aluminium Council.

Audit current shipping task

Terms of reference (b) for the inquiry provides for the Committee to not only audit the current intrastate shipping task, but also consider how this potential task could be sustainably expanded by addressing any existing barriers. QRC strongly supports this focus in the Committee's report and recommends that the Committee request more time for the inquiry to allow a thorough audit of the current intrastate shipping task as well as to better understand the potential to expand the scope of intrastate shipping if key legislative, regulatory, policy and administrative barriers could be addressed.

QRC was surprised by the paucity of readily accessible data on the current intrastate shipping task in Queensland and suggests that the Committee's recommendations could usefully address this apparent information deficit.

The 2014 Parliamentary Inquiry did a comprehensive job of summarising the snarl of regulatory barriers to increased intrastate shipping. At the time of the inquiry, there were several reforms afoot at both the State and Federal levels. QRC suggests that in addressing terms of reference (b), that the Committee could usefully update the current state of regulation for intrastate shipping. Addressing this aspect of terms of reference (b) then provides an excellent baseline for considering how these barriers might be streamlined and reformed under terms of reference (g).

Given the complexity of some of these legislative, regulatory and policy matters across a range of jurisdictions, QRC recommends that the Committee consider a staged approach to their report with the initial audit stage providing a precursor to a subsequent agenda of proposed reforms.

Finally, the ninth terms of reference (i) provides for the Committee to turn their mind to how the impacts of a sustainable intrastate shipping industry could minimise any potential impacts on the Great Barrier Reef. QRC suggests that an ongoing assessment of risks to the Great Barrier Reef are already well in hand under the aegis of the joint Commonwealth-Queensland Reef 2050 Plan. The overarching vision of the Reef 2050 is

"to ensure the Great Barrier Reef continues to improve on its Outstanding Universal Value every decade between now and 2050 to be a natural wonder for each successive generation to come".

An important part of how the Reef 2050 Plan addresses this vision is through the [North-East Shipping Management Plan](#) (the plan) which is convened by the Australian Maritime Safety Authority (AMSA). The North-East Shipping Management Plan aims to:

"give Australians confidence in how the growth of shipping area is managed concomitant with growth in commodity flows and associated infrastructure such as ports. It outlines measures currently in place to manage the safety of shipping in the sensitive marine environments of Australia's north-east region and proposes options and action to further minimise the environmental impacts of these activities and related risks to the Outstanding Universal Value and integrity of the Great Barrier Reef World Heritage Area in the years to come."

Further, at the end of 2018, the plan was updated to provide an even greater connection with the shipping components of the Reef 2050 Plan.

The Great Barrier Reef is vulnerable to damage from shipping if it is not properly managed. Recognising this vulnerability, the Great Barrier Reef was the world's first declared [particularly sensitive sea area](#) (PSSA) to be recognised by the International Maritime Organisation (IMO). That area has been twice extended to protect a total area of around 968,000 square kilometres (AMSA).

QRC commends the Australian Maritime Safety Authority (AMSA) on their work in [administering protective measures](#) including:

- compulsory pilotage;
- mandatory ship reporting;
- the Great Barrier Reef and Torres Strait vehicle traffic service (ReefVTS), in conjunction with Maritime Safety Queensland (MSQ);

- a two-way route in the Great North East Channel;
- recommended areas to be avoided (ATBA);
- designated shipping areas;
- a network of visual and electronic navigation aids;
- areas of no anchoring; and
- emergency response assets.

A good example of the way in which the two agencies, AMSA and MSQ work together is the [Queensland Coastal Passage Plan](#), which provides details around the operation of pilotage and ReefVTS as well as a detailed set of planning chartlets.

QRC recommends that the Committee's response to terms of reference (i) needs to be carefully informed by the work already underway by the Australian Maritime Safety Authority (AMSA) on the implementation of the North-East Shipping Management Plan.

In summary

QRC suggests that Queensland's coastal shipping policy should aim to deliver a sustainable integrated, multi-modal freight network. The policy should promote competition in coastal trading and ensure the efficient movement of cargo between Australian ports for all types of freight occurs under fair and reasonable access terms.

Open regulation should encourage competition in the industry by both domestic and international ship owners and drive for consistency across international, Commonwealth and state jurisdictions. This policy would need to retain existing protections around safety and security, competition, quarantine, biosecurity and the Great Barrier Reef.

QRC notes that QRC member Rio Tinto have made their own submission to the inquiry and fully supports that submission.

QRC would like to thank the Committee for the opportunity to provide a submission. We would welcome any opportunity to appear before the Committee and address any additional questions that Committee may have. The contact at QRC is Andrew Barger [REDACTED]. We confirm that this submission is not confidential and would welcome the Committee publishing it on their website.

Yours sincerely

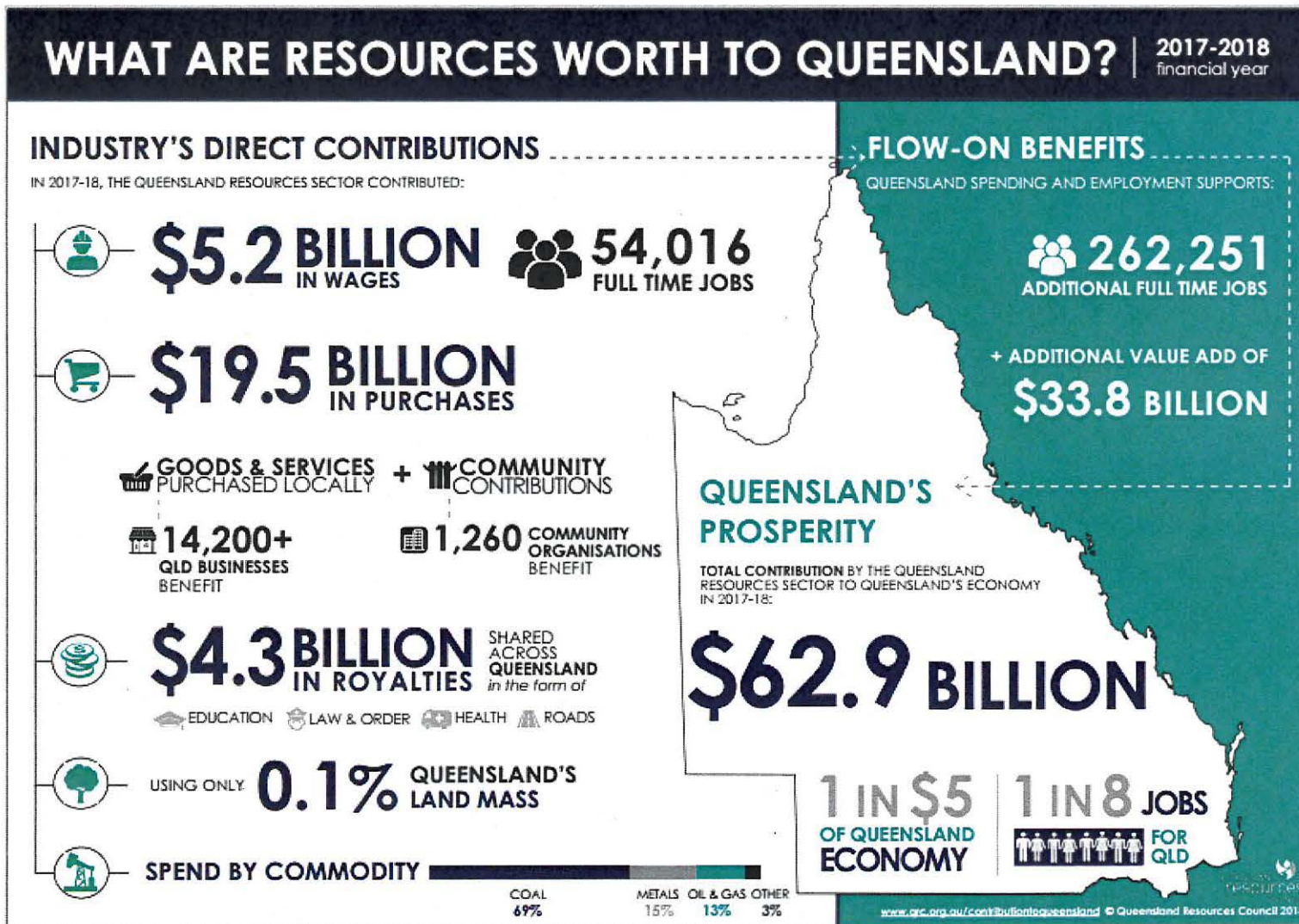


Ian Macfarlane
Chief Executive


Attachments:

1. *Resource contribution to Queensland* (or [at link](#))
2. *Working alongside the Great Barrier Reef* (or [at link](#))

Attachment One: Resources in Queensland.



Attachment Two: Working alongside the Great Barrier Reef (or [at link](#)).



QUEENSLAND RESOURCES COUNCIL

WORKING ALONGSIDE THE GREAT BARRIER REEF

PORTS AND SHIPPING

Australia is an island whose place in the international economy, productivity, living standards and quality of life depend on maritime trade. In 2016-17, Australian ports represented export trade of approximately \$243 billion¹. As such, Australia's ports are important economic and social gateways.

OPERATING PORTS

There are 12 trading ports along the Great Barrier Reef (GBR) coast.

The ports of Townsville, Abbot Point, Hay Point, Mackay, and Gladstone facilitate the ongoing trade of major regional bulk commodities, including resources and agricultural products, and other goods to the global market. Consistent with the Reef 2030 Long-Term Sustainability Plan (Reef 2030 Plan), these ports were declared GBR World Heritage Area 'priority ports' under the Sustainable Ports Development Act 2015 to further regulate development in and surrounding the port limits.

Other ports along the GBR coast, including Quintell Beach, Cape Flattery, Cairns, Cooktown, Mourilyan, Lucinda and Rockhampton, trade resources, agricultural products, fertiliser and other general cargo, and also accommodate tourism and cruise ships.

In 2016-17, the ports operating along the GBR coast represented export trade of approximately \$52 billion, which is 79% of the total export trade value from all Queensland ports².

All ports that interact with the GBR are managed by port authorities, which are Queensland Government-owned corporations. Port activities are carried out in accordance with comprehensive Queensland and Commonwealth laws.

PORT PLANNING

Port master planning was introduced under the Sustainable Ports Development Act 2015 to create a balance between environmental considerations and the optimisation and ongoing development of critical infrastructure within priority port limits. It is intended to preserve areas for future essentials that a growing port will require, such as corridors for road, rail and power lines, while protecting sensitive environmental areas.

A master plan for each priority port is being prepared by the Queensland Government in consultation with the port authorities and relevant stakeholders.

PORT DREDGING

Dredging is needed to establish and/or maintain channels and berths for the safe navigation of ships through our ports.

There are two types of dredging:

- Capital dredging, which creates new channels and berths in generally undisturbed areas or establishes deeper access; and
- Maintenance dredging, which maintains access to existing channels and berths by removing accumulated material naturally transported by waves, currents, or flow.

In 2015, the Commonwealth and Queensland Governments banned the disposal of capital dredge material in the GBR Marine Park. The Queensland Government further prohibited major capital dredging for the development of new, or the expansion of, existing port facilities in the GBR World Heritage Area outside the priority ports.

Applications for maintenance dredging and disposal within the GBR Marine Park or World Heritage Area must undergo a comprehensive environmental assessment and permit approval process prior to works commencing. Proposals must be consistent with the Queensland Maintenance Dredging Strategy for the Great Barrier Reef World Heritage Area Ports and abide by the London Protocol and National Assessment Guidelines for Dredging 2009.

While applications for capital dredging within priority ports are still accepted, proposals must demonstrate how excavated material is reclaimed or disposed on land where it is environmentally safe to do so.

Ports are working with Government and other stakeholders, as part of a commitment in the Reef 2050 Plan, to identify the sediment characteristics at priority ports. Understanding natural sediment movement pathways and contributions will help identify the impacts on existing operations and environmental values, and better inform future planning of dredging and other activities that could minimise the need for dredging.

SHIPPING

Once leaving a port, ships travelling through the GBR Marine Park must:

- Navigate within designated shipping areas;
- Report their intended passage to the authorities; and
- Demonstrate a marine pilot has joined the vessel (where relevant) to work with the ship's master and ensure safe passage.

Ship movements are managed by one of the world's most advanced maritime safety surveillance systems – the GBR and Torres Strait Vessel Traffic Service (REEFVTS). The real-time system, which is similar to the way air traffic control operates, is designed to:

- Enhance navigational safety by providing shipping with improved information on potential traffic conflicts and other hazards;
- Minimise the risk of accident and pollution in the marine environment; and
- Help coordinate and facilitate a rapid response in the event of a safety or pollution incident.

Following the commencement of REEFVTS in 2004, there has been a steady increase in shipping movements within the GBR Marine Park. Between 2013 and 2016, an average of approximately 9,500 voyages to and from trading ports along the GBR coast occurred within the Marine Park and Torres Strait region each year¹. Nevertheless, REEFVTS has been effective in managing shipping in the GBR Marine Park. No incidents have occurred within the coverage area of the system since coming into operation.

The only incident to occur in recent years was the grounding of the *Shan Nieng I* in 2010 at Douglas Shoal. At the time, this area was outside of the coverage of REEFVTS. In response to the grounding, the Queensland and Commonwealth Governments extended the coverage of REEFVTS further south to the GBR Marine Park boundary.

To continue to strengthen ship safety and environment protection in the GBR:

- REEFVTS is to be upgraded with new state-of-the-art real time ship tracking software and rebranded as the Vessel Traffic Services Decision Support Tool (VTS-DST). This is to be implemented in a staged approach over the next two years; and
- Ports are working with Government and other relevant stakeholders to deliver on related Reef 2050 Plan actions, including implementation of the North East Shipping Management Plan⁴.

¹ Queensland Government Statistics Office (2017) Trade data – overseas exports by port of loading, commodity (1-digit SITC revision 2) and county of destination, Queensland and Australia, 2005-07 to 2015-17p

² Queensland Government (2015) Great Barrier Reef and Torres Strait Shipping Statistics, December 2015

³ Queensland Government (2016) Great Barrier Reef and Torres Strait Shipping Statistics, December 2016

⁴ Australian Maritime Safety Authority (2014) North East Shipping Management Plan.

MORE INFORMATION

For more information, please visit www.qrc.org.au or contact QRC's Environment policy team; info@qrc.org.au or (07) 3295 9560.

