

Intrastate Coastal Shipping Submission

Prepared by Gladstone Shipping Consultant, John Bell.

Background:

Shipping consultant, John Bell has spent the past six years arranging import and export shipping into Australia and coastal shipping for Hartmann Project Lines.

Mr Bell has also prepared detailed and costed quotations and arranged shipping for all of the remaining coastal shipping on the east coast of Australia.

The writer submitted a similar reform submission to the Queensland Government in 2016.

John Bell has conducted the marketing for Jepsens Shipping's WA Government funded single ship coastal service in Western Australia.

Mr Bell was the Marketing Director of Stateships, or the West Australian Government's Coastal Shipping Commission, where he helped to implement new marketing initiatives, which turned this business into a viable business venture.

John Bell is available to make a verbal presentation, to answer questions in support of this written submission to this Parliamentary Inquiry.

The writer's verbal presentation will be more helpful for Committee Members, if questions are provided in advance.

Introduction:

1. Firstly, the Premier, Hon. Ministers and each of the Members of the Palaszczuk Government, the Members of the Queensland Parliament and Committee Members must be congratulated and thanked for initiating an Inquiry into intrastate coastal shipping in Queensland.
- 1.1 With your leadership, initiatives and reforms, Queensland's coastal shipping service will be a profitable and commercially viable business, which will create:
 - (i) Significant new and expanding employment for onshore and seagoing maritime workers;
 - (ii) Reduce & 'peg' long distance regional business transport costs;
 - (iii) Queensland's regional business communities will also welcome more reliable long-distance freight deliveries, especially if freight is not held over to increase subsequent loads.
 - (iv) This will be widely welcomed by regional business communities while stimulating regional employment;
 - (iv) Hundreds of millions of dollars in unnecessary ongoing road maintenance costs will be eliminated, if non-urgent and heavy freight is shipped, rather than road transported;
 - (iv) There will also be a reduction in road safety accident incidents.
 - (v) Congestion on the Bruce Highway will also end, if seagoing non-urgent coastal freight is a cheaper logistics solution for long distance line haul. Then road transport companies will use coastal shipping as its 'subi' for long distance deliveries along the Queensland coast.
 - (vi) Coastal sea freight and coastal shipping will prevent Central and Northern Queensland from being cut off by cyclones, plus much faster post cyclone freight deliveries from a flood-free shipping service.
 - (vii) This submission is focused on necessary financial reforms to port business models, to make it possible to start coastal shipping in Queensland and with it, ensure Australian maritime employment.

2. The first half of this Coastal Shipping Reform Submission focuses on:

A - OPPORTUNITIES: and the second half focus on....

B – SOLUTIONS – Overcoming government and corporate created roadblocks.

(Government leadership can easily remove these roadblocks to create a profitable coastal shipping service).

2.1. A - Opportunities:

2.1. The Big Picture and Corporate Structure:

- 2.2. A Queensland coastal shipping company is formed in a new government trading enterprise, focused on serving remote communities, while making a profit to cover all costs.

- 2.3. This will establish the Queensland Coastal Shipping Commission (QGSC).

- 2.4. The obvious question is: If the commercial opportunity already exists, then why hasn't private enterprise already done it ?

- 2.5. The answer is that the only remaining and quick and easy profit opportunities have already been snapped-up. Shipping companies don't have a focus on a community service obligation, or on cutting freight costs to regional communities. Instead, shipping companies have only minimized costs by paying third world wages.

- 2.6. It is challenging to rebuild Australia's coastal shipping, without urgently needed leadership and reform of prohibitive port charges, excessive stevedoring and government charges and Australian Maritime Awards.

- 2.7. This could be carried out by a private shipping company, with a government subsidy. However, a private coastal shipping company operating under a state government subsidy, like those I have helped to manage, will only focus on cutting costs to increase profits and seek quick and easy opportunities.

- 2.8. How will this occur ?

- 2.9. Step one, will be for the government's QGSC to kick-start regional employment in a low employment regional Queensland area.
- 2.10. This will be carried out by the QGSC supplying Australian made ships, with bow-thrusters and equipped with two, 80-tonne cranes, to enable 150 tonne lifts.
- 2.11. These ships will be more expensive than if built in China, but it's legacy will:
- (i) Create an ongoing commercial ship building and military ship maintenance; and
 - (ii) Significant new regional employment and new jobs.
- 2.12. This is exactly what the West Australian Government's Coastal Shipping Commission (Stateships) did.
- 2.13. It built three, new coastal ships and created a large and now very viable, profitable and internationally competitive shipbuilding and ship maintenance industry at Kwinana, south of Perth.

3. A - Shipping Options and Vessels for a Queensland Coastal Shipping Commission.
- 3.1. There are strong commercial profit and viability reasons for including shipping options, beyond just a simple 'milk run' for a container and break-bulk shipping service from Brisbane to Gladstone, Mackay, Townsville and Cairns and return. These options include:
 - 3.2. Option 1:
 - 3.3. A Weekly Brisbane to Gladstone, Mackay, Townsville and Cairns Coastal Shipping Service.
 - 3.4. This requires, three multi-purpose vessels to guarantee a reliable, same-day, every week shipping service, at each of these ports.
 - 3.5. A weekly ship can also unload freight in Brisbane for guaranteed immediate transshipment onto major international containers shipping lines, with both coastal and international shipping costs amalgamated in a single account and Bill of Lading.
 - 3.6. The writer has created and provided detailed costings and quotations for this solution.
 - 3.7. A same-day weekly shipping service to each regional port, will 'peg', or hold down road and rail transport charges to regional areas, where transport costs are up to 35 percent of regional business operating costs.
 - 3.8. This Queensland Government cost reduction initiative for remote and regional transport will also have very widespread community support.
 - 3.9. It will also eliminate the cost of \$400 per container, paid as a Queensland Government rail subsidy for export containers.
 - 3.10. However weekly coastal shipping will not replace urgent and high-speed road and rail freight to regional ports.
 - 3.11. For example, Townsville supermarkets order food on a Monday, which arrives by rail on Wednesday and is then on the shelves on Thursday in the same week.
 - 3.12. Although top-level political leadership and negotiations to initiate regional warehousing will solve this, in a weekly coastal shipping, so there are same day regional deliveries.

4. Option 2:

- 4.1. Importantly, adding weekly port calls to Darwin and/or Port Moresby will dramatically increase ship loadings. For example, I helped to arrange 50 percent of the domestic sea freight for each ship from Perth to Darwin on Western Australia's coastal shipping service.
- 4.2. Revenue from this additional port call will subsidize Queensland port calls.
- 4.3. Papua New Guinea's mines also offer very significant markets for ammonium nitrate and sodium cyanide markets which are produced in Gladstone and then trucked &/or railed south to Brisbane for export.
- 4.4. Further, the longer the distances, the more shipping becomes more economical than road freight.
- 4.5. For example, 4,029km voyage, between Brisbane and Darwin, at a speed of 12 knots/22.2 kilometers per hour takes the 7.5-days.
- 4.6. The competitive road train distance between Brisbane, and Darwin is 3,426 kilometers over five days (single driver).
- 4.7. Road trains consume approximately one litre of diesel per kilometer, or \$5,824 in fuel costs @ \$1.70 per litre. (But road trains often return without a backload of paying freight).
- 4.8. As a result, even with Australia's exorbitant shipping costs, sea freighting containers between Brisbane and Darwin will be about with \$3,000 to \$4,000 each, compared with a very approximate road freight cost of \$12,000 per container,

Option 3:

5. A similar, chartered Australian flagged and manned bulk vessel could also take-on the current Gladstone to Bell Bay, Tasmania aluminum trade.
- 5.2. Importantly, the government's QGSC will also immediately benefit from this profitable income stream with this shipping route and create more Australian seafaring jobs.

Option 4:

- 6.1. Regular Queensland Coastal Shipping Commission (QCSC) port calls Include Newcastle.
- 6.2. Newcastle is a major destination, for untapped cargoes, including Gladstone produced ammonium nitrate for the Hunter River's coal mining industry.
- 6.3. This competitive port is also seeking to service Northern New South Wales

7. Option 5:

- 7.1. The QCSC lease an Australian flagged and manned geared bulk ship to sail from Burnie in Tasmania to deliver magnetite, (the coal cleanser), to Newcastle, Gladstone and Mackay and return with Calcite from Gladstone to Geelong.
- 7.2. A geared (crane equipped) ship is more commercially flexible and can also carry containers and break bulk on the hatch covers
- 7.3. Importantly, the government's QGSC will immediately own a profitable income stream from this shipping route, which also creates more Australian jobs.

Option 6:

- 8.1. The Queensland Coastal Shipping Commission (QCSC) provide a geared (crane equipped) bulk ship, to carry bauxite from Weipa to Gladstone for processing.
 - 8.2. Importantly, the Palaszczuk government's QGSC will immediately own a profitable shipping route in its government trading enterprise, which also creates new Australian seafaring jobs.
 - 8.3. This vessel could also carry containers and break bulk on the deck, which is not currently available and could potentially call at other Queensland ports.
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9. Profitable Coastal Cargoes to support a Queensland Coastal Shipping Commission.

9.1. The next question is: what are the profitable cargoes, which would pay for an ongoing and commercially viable or profitable Queensland Coastal shipping service ?

10. Heavy Haulage:

10.1. The Queensland Government mandate that all out-of-gauge and over-weight road freight to Northern and Central Queensland must be sea freighted.

10.2. The only out-of-gauge and over-weight that is road freighted will be for trucking inland to and from nearby regional ports, (which has previously occurred in Western Australia).

10.3. This is immediately possible, if two heavy lift, 80 cranes equip each coastal ship, to comfortably provide twin-lifts of up to 150 tonnes.

10.4. Oversize or out of gauge freight is a very lucrative and large base load cargo.

10.5. There are also significant social benefits from taking escorted cargoes off the Bruce Highway.

10.6. For example, ADANI has ordered its suppliers to provide every second day deliveries of escorted deliveries along the Bruce Highway for two years.

10.7. Road maintenance costs will also be reduced by hundreds of millions of dollars, if non-urgent freight is shipped rather than trucked along the Queensland coast by transport companies using coastal ships as the 'subi'.

10.8. Currently, port, charges are all calculated on either 'weight or cubic, whichever is the greater'.

10.9. Ports then multiply this figure by their weight or cubic charge.

10.10. As a result of these port charges, out of gauge freight is so expensive to ship, that it is still cheaper to truck out of gauge loads.

10.11. For example, the writer helped to truck a large, 100 tonne plus excavator from Central Queensland to the Port of Thevenard, which is on the South Australian and West Australian border.

10.12. Trucking this over-weight and extra wide and extra high load was still

cheaper than coastal shipping - even with the added costs in road transport costs for:

- (i) Standard orange light escorts;
- (ii) Police escorts;
- (iii) Department of Main Roads escorts to move street signs;
- (iv) Telstra to move phone lines; and
- (v) Electricity agencies to move power lines.

- 10.13. The good news is that it is possible for ports to generate new, out-of-gauge income streams, if they are prepared cut charges to win this sea freight.
- 10.14. For example, the writer successfully negotiated with the Fremantle and Port Hedland Port Authorities, who priced themselves back into the freight market when they classed portable accommodation, or 'dongers;' at the rate of a large 40' container.
- 10.15. This brought port charges down from almost \$4,000 per donger at each port, down to about \$150 per 'donger' at each port.
- 10.16. As a result, these ports won new, out-of-gauge sea freight for 9,000 'dongers' - which were normally road freighted.
- 10.17. Similar freight is available for Queensland's coastal ports.

11. Dangerous Goods (DGs):

- 11.1. About one million tonnes of Gladstone produced ammonium nitrate is currently trucked along the east coast of Australia.
- 11.2. Instead, the Palaszczuk government mandate that dangerous goods (DGs) can only be trucked from the nearest regional port to mine-sites, especially as there is a history of serious safety concerns.
- 11.3. Further, for years explosive producers have openly discussed coastal shipping of DGs with the writer and with other shipping companies.
- 11.4. Explosive producers have long been expecting the introduction of safer and tightened regulations controlling the movement of DGs - to safer shipping logistics solutions.

12. Reefer Cargo:

- 12.1. This very lucrative, coastal weekly sea freight market will create a significant increase in shore-side regional employment by initiating a base load of refrigerated meat containers.
- 12.2. Currently, each week, 700 (possibly) empty reefer containers are railed 1,700 km from Brisbane to the Townsville abattoir and then railed 1,700 km back to Brisbane for cold storage and repacking into mixed orders for overseas clients.
- 12.3. In addition, each week, 400 empty reefers containers are trucked and railed over 500 km from Brisbane to Rockhampton and then returned with frozen meat, for cold storage and repacking into mixed orders for overseas clients, EX Brisbane.
- 12.4. However, the port of Gladstone is only one hour or just over 100 km away from Rockhampton.
- 12.5. There is yet to be a focus on export health regulations, which mandate that refrigerated reefer containers of frozen meat can only be opened three times.
- 12.6. Additional employment will be created to build, operate and maintain new port infrastructure for cold storage and snap freezing cold rooms in Townsville, at Mackay, at Rockhampton and potentially also in Gladstone for a mooted new abattoir.
- 12.7. Initiating new regional, snap freezing cold storage at regional abattoirs will enable on-site packing and product mixing of refrigerated containers to order.
- 12.8. Importantly, this will eliminate expensive triple handling and expensive and unnecessary land transport costs, (for packing refrigerated containers at the abattoir, unpacking in Brisbane into a cold store, then repacking to fill orders in export containers).
- 12.9. Trials of regional exports of frozen meat have already been offered to the writer in the past two years.

13. Traditional containerised freight:

- 13.1. Reliable deliveries of same day, every week, containerised sea freight to each regional port, immediately opens the door to coastal shipping for non-urgent goods to regional cities and to surrounding rural communities.
- 13.2. But this will only succeed, if sea freight is combined with door-to-door deliveries by local (and not national or state) trucking companies, as already occurs with some rail freight.
- 13.3. Just like trucking, these deliveries will have a single account and Bill of Lading.
- (The writer has organised this in the past on the West Australian coast).
- 13.4. There are also large project cargoes, such as tens of thousands of containers of solar panels, (in ships our company leased ships to ANL for shipping from Brisbane to Townsville).
- 13.5. In future, containers of solar panels for a new solar farm will also be imported to the Port to Brisbane, expensively warehoused and the trucked from Brisbane to Central Queensland - instead of being shipped direct to Gladstone.
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B. Unnoticed Corporate and Port Agency Destruction of Coastal Shipping:

14. The second half of this submission explains why coastal shipping has been unwittingly rundown and become too expensive to use, as a result of escalating stevedoring, port and shipping charges.
- 14.1. It also lists the solutions, which require government leadership to solve this and rebuild coastal shipping.
- 14.2. Easily solvable roadblocks include:
- 14.3. A change for total corporate export land and sea costs to be reflected on a single balance sheet.
- 14.4. Queensland Government intervention by the Hon. Queensland Premier and Cabinet Ministerial intervention is required to help this to occur, so that savings from regional export shipping can be instantly recognised and supported within corporations.
- 14.5. Currently international corporations do not support coastal shipping, as their balance sheet for land transport (rail and road transport) to the Port of Brisbane are on Australian subsidiaries balance sheets, while the sea freight logistics leg is on balance sheets of overseas parent companies.
- 14.6. Instead, additional land transport costs to and from the Port of Brisbane by Australian subsidiaries are supported as a key function of Australian subsidiaries.
- 14.7. The best example, of international corporations' logistics paralysis is demonstrated by their requests for coastal exporting shipping companies to match export shipping rates, provided EX Brisbane, or to cut shipping rates per container by US\$300 per container.
- 14.8. This is because exporting corporations' overseas balance sheets do not recognise or see the A\$500 to A\$1,500 land transport cost saving per container from coastal export shipping.
- 14.9. This occurs if rail and road transport costs are eliminated from regional factories south to Brisbane.
- 14.10. In addition, Brisbane port storage costs of approximately A\$800,000 per annum for each exporting corporation will also be eliminated.

15. Federal Government leadership is long overdue and essential to help eliminate unnecessary port costs, fees & charges and to increase port efficiencies.
- 15.1. The writer understands that Australia's ports are a state government responsibility and that the Queensland Government has privatised the Port of Brisbane.
- 15.2. But currently, there is no government leadership or focus on lowering uncompetitive charges on coastal sea freight.
- 15.3. For example, there has been a commitment to very large cash grants of \$100M to individual ports like Gladstone for infrastructure improvements such as roads, but without any requirement for reduction in port fees and charges.
- 15.4. (In 2018, the Gladstone Ports Corporation Limited returned a profit to the Queensland Government of A\$483,104,000).
- 15.5. A new federal government port grants funding policy is urgently required, where, the first priority, is to tie all Commonwealth grants to demonstrated port cost and fee reductions and efficiencies, especially as Australia's port costs are prohibitively expensive and uncompetitive globally.
- 15.6. Currently, federal government port infrastructure grants go to ports, which by their nature are natural monopolies, which are not competitive and have not been directed to compete with road and rail.
- 15.7. Instead, these grants could be seen as reinforcing uncompetitive business practices.
- 15.8. New federal government leadership must in future publish a scale of funding priorities, with cost-reducing fast cranes, taking a higher priority over port access roads.
- 15.9. Key port stakeholders, such as relevant ship owners, port transport companies and the Maritime Union of Australia, must in future approve port purchases, which do not immediately cut port fees and charges to ship owners, especially as these costs are paid for by each regional ports' local business community.

16. Eliminating Corporate Cost Inefficiency Practices for Queensland's regional imports.

- 16.1. Corporations, including the BHP Mitsubishi Alliance and major corporations will benefit from very top-level political leadership and consultation to solve another roadblock.
- 16.2. This is because the BMA logistics workload is simplified, by requiring each Brisbane based supplier to deliver to each mine site.
- 16.3. This prevents cost savings in economies of scale, in amalgamated or combined sea freight deliveries, direct to Mackay and Gladstone from overseas.
- 16.4. In addition, these unnecessary costs are added to, with very expensive Brisbane warehousing and storage, plus long distance and expensive trucking from the south of the state to each mine site.

17. Political Direction by the Queensland Government, To Set A Totally New Regime Of 'Coastal Shipping Port Charges'.

- 17.1. Currently, prohibitively expensive regional port costs have pushed all potential coastal sea freight off port wharves and onto trucks and rail.
- 17.2. In fact, the only coastal sea freight that is left, is bulk freight, which cannot be trucked or railed.
- 17.3. Ports are not even aware of how much freight has been lost over the past 10 years and if asked, (which would be a helpful exercise), ports simply cannot document its lost non-urgent and general freight.
- 17.4. The solution is very simple, if Queensland ports and coastal shipping wish to regain a significant percentage of non-urgent coastal sea freight.
- 17.5. This is a new policy for a Coastal Shipping, Combined Total Annual Queensland Ports Fee, (which includes all Queensland ports), or similar to annual semitrailer and prime mover license fees.
- 17.6. This would demonstrate that governments are serious about avoiding the escalating cost and increasing burden of road funding and traffic congestion.
- 17.7. This new coastal shipping charging initiative will immediately make non-urgent coastal sea freight competitive with road transport charges and level the playing field. It will also create an affordable coastal shipping option, which will attract all line haul transport operators.
- 17.8. So instead of Queensland ports making little or no income from coastal shipping, (except for large bulk and project cargoes); a new and ongoing

income stream will be created for ports, while significantly reducing road funding.

- 17.9. The unanswered question is: why Australia's shipping has faced a slow-burning national cost explosion. The answer is simple. It has been caused by Australian ports benchmarking port charges upwards - to the most expensive Australian port.
- 17.10. Escalating port charges are based on overseas ships owners having no other choice, than to be forced to pay escalating Australian port and stevedoring charges, if they want to unload their cargoes in Australia.
- 17.11. In fairness to port managers, ship owners don't bother to negotiate port costs and simply pay or pass-on scheduled port fees, which are published on port web sites. Prohibitive port charges are simply passed onto shipping companies by their Australian agents at each port, with a fee schedule of this is what you have to pay at this port.
- 17.12. Further, regional and metropolitan port managers generally don't know what the rail and road transport charges are over the same distances, which they must compete with.
- (However, the writer has provided detailed spreadsheets of land transport costs to the Port of Gladstone to create an understanding and awareness of sea freight business plans).
- 17.13. A shining light has been a more innovative approach from the marketing leadership of the Port of Townsville, who when approached by the writer, in principle, offered to cut all of its port fees and charges by 50 percent - to support a new Queensland coastal shipping service.
- 17.14. Clearly, if the Port of Townsville can do this, then every Queensland Port should also halve its port fees and charges by 50 percent – in a fresh approach to coastal shipping fees.
- 17.15. Townsville's Port marketing leadership is also almost unique in initiating site visits to its nearby shippers.
- 17.16. However, there is still an urgent need for each ports' management, to also visit every shipper who is not currently using sea freight to find out why.
- 17.17. The writer has taken Gladstone Port managers to meet potential shippers, which had been the positive way forward and enthusiastically embraced by this Port's marketing management and by its CEO.
- 17.18. But this became irrelevant, when coastal and regional export port charges for coastal ships were not also halved. For example, the writer negotiated a container rate down from \$84 per full container, down to \$25 per box, but this was later cancelled.
- 17.19. The reality is that the Port of Gladstone has only moved a few thousand containers per annum - even though half of the 1M container movements at the Port of Brisbane is trucked or railed to and from Central Queensland.

- 17.20. Currently, Queensland's regional port managers are not alone in failing to understand 'how the wheel works' in Australian coastal transport costs and of comparative charges for rail and road transport.
- i.e. Supervisory Board Members simply don't know what the competition, (road & rail) is charging, to base their port charges on.
- 17.21. Only a very small handful of Australian port managers have actually realized that container income will increase, by competing for non-urgent, intercity road and rail freight.
- 17.22. This is because there is no political leadership, direction or driver to compete with coastal rail and road transport charges - even for profitable ports.
- 17.23. But with leadership, port charges will be set to compete with road and rail freight costs and charges to Brisbane – rather than the current, 'one charge for all' port charges.
- 17.24. A cynic might suggest that Australia's port managers make so much money from high charges on international freight, that there has been no entrepreneurial need or an economic driver to survive by chasing new and absent coastal freight markets.
- 17.25. In the Ports of Townsville, Mackay and Gladstone, the writer has repeatedly explained that total coastal shipping costs must match the freight alternative - rail and trucking.
- 17.26. For example, in Western Australia, I helped to set a door-to-door, combined or total sea and land freight charge of \$1.50 per kilo or \$150 per tonne. This was for a 2500km voyage from Fremantle to Broome, while the distance from Brisbane to Townsville is 1700km).
- 17.27. Importantly this 'pegged' road transport costs and was heavily supported by regional business communities as local employers, especially when transport represents up to 35 percent of operating costs.
- 17.28. For example, the Port of Mackay desperately needs additional container traffic. But the marketing management was repeatedly unavailable to negotiate its port costs and charges.
- 17.29. This occurred when the writer prepared a detailed submission and quoted on hundreds of thousands of tonnes of ongoing containerised sugar, to be shipped from Mackay to Melbourne and Sydney. This quotation failed.
- 17.30. However, the future for coastal shipping between ports is in fact very bright, as despite a lack of help, coastal shipping is potentially cheaper than total rail costs for containers of sugar, EX Mackay to Melbourne.
- 17.31. Coastal port costs and charges cannot be set, until they are benchmarked against competitive, trucking and rail, where total shipping costs must compete with simple, door-to-door trucking.

- 17.32. Senior port managers don't understand that, there must also be a significant cost savings and not just slightly be cheaper, before logistics managers to feel compelled to change all logistics arrangements back to sea freight.
- 17.33. Coastal shipping costs for each container at origin includes:
- (i) Trucking to a regional port;
 - (ii) The cost of unloading and storage at the port;
 - (iii) Stevedoring lift charges;
 - (iv) Pilotage costs;
 - (v) Tug charges;
 - (vi) Federal and state navigation light charges;
 - (vii) Port charges per full and empty container;
 - (viii) Port ship berthing charges, based on the ship tonnage; and
 - (ix) Then a repeat of these charges at the destination port.
- 17.34. To solve this avoidable impasse, coastal shipping will only flourish, when there is a total or combined port charge for all Queensland ports, to enable a weekly shipping service to commence.
- 17.35. Currently, total Australian port costs are so high that ships cannot afford to make multiple port calls, without very substantial increase in sea freight loads to pay for this. (This cannot be overstated).
- 17.36. An example is the writer's detailed a business model and quotation to ship magnetite (the coal cleaning and grinding medium) from Burnie to Newcastle, Gladstone and Mackay.
- (i) To help cover excessive port costs, the writer persuaded the shipper to increase our 11,000 Gross Registered Tonnage ships to larger, 20,000 tonne vessels.
 - (ii) This meant that larger individual export volumes could more easily pay port fees and charges.
 - (iii) But it is not known that it is cheaper to do multiple voyages from Burnie to each of these ports, rather than do a 'milk run' and unload at each port in a single voyage.
- 17.37. Regional coastal shipping is prevented from being commercially viable when required to pay expensive port fees and stevedoring charges - which are charged at the same rate as international shipping.
- 17.38. The irony is that regional wharves are often little used, and construction paid for in the past, plus there is only a small maintenance requirement.
- 17.39. In comparison, heavily used and maintained roads are provided cost free to the road transport industry.
- 17.40. Unlike ship owners, truck operators are not required to pay:

- (i) A road use fee, calculated on the gross registered vehicle tonnage on each journey;
 - (ii) An additional fee for each container or break-bulk item.
- 17.41. Instead, truck owners only pay a cheap annual license fee.

18. Lighting Fees:

- 18.1. Further, conservancy or lighting costs are not paid by road and rail transport, which is another unequal burden on coastal shipping.
- 18.2. State and Commonwealth government conservancy or navigation light fees are a significant financial cost for a two-ship, every seven-day, weekly shipping service.
- 18.3. One possible solution is for the Government's every three-month conservancy fee, (which is calculated on a ship's tonnage), be paid once yearly and not the same amount paid four times a year.

19. Warehousing:

- 19.1. Another opportunity for coastal shipping, is the creation of additional employment to build and operate cheap regional storage centres, (on or adjoining port land), instead of corporations being forced to pay very highly priced Brisbane storage costs.

For example, each North and Central Queensland industrial factory pays at least \$800,000 pa in Brisbane port storage costs.

- 19.2. Ports normally provide on or two weeks free container storage. This means that short-term regional storage can be offered at the ports of Mackay, Townsville and Gladstone, which are also conveniently close to industrial shippers. As a result, this will eliminate 100 percent, or 80 percent of this unnecessary and expensive Brisbane storage cost.
- 19.3. But this will only occur, if regional ports don't continue to maximize returns on empty warehouses, which have been offered to the writer.
- 19.4. In fact, low cost regional warehousing is just as important as providing coastal ships, as dedicated warehousing is an essential prerequisite and component of a profitable coastal shipping service.

- 19.5. This is because regional businesses cannot afford the cost of warehousing for fortnightly shipping deliveries. Instead, regional businesses eliminate this overhead with constant rail and road freight from Brisbane.
- 19.6. If regional ports initiate a new Government policy of supporting low-cost warehousing, then same day city deliveries can be made, like Brisbane.
20. *Regional Ports provide “priority wharf berthing rights” to intra-state and coastal shipping.*
- 20.1. Delays, while coastal ships wait at anchor for a berth, means that coastal sea freight cannot compete with land transport.
- 20.2. In comparison competitive trucks and trains have delivered freight to Brisbane and returned to Northern and Central Queensland, while ships are still waiting at anchor.
- 20.3. Traditional queuing practices are acceptable for international shipping with month long voyages to regional ports.
- 20.4. But without a new government policy, this practice will prevent a weekly, same-day coastal shipping service along the Queensland coast.
- 20.5. Instead, coastal shipping must pre-arrange berth slots and get priority berth, as has occurred in Fremantle and Darwin and at Western Australia’s regional ports.

21. Initiating Regional Freight Surveys:

- 21.1. In the past, the writer wrote the survey to assess the transport needs of every single mining and general business in the Pilbara and Kimberley in Western Australia.
- 21.2. This anonymous survey documented freight types, volumes and delivery frequencies, so the West Australian Coastal Shipping Commission (Stateships), had a clear understanding of its competitive regional freight market.
- 21.3. It would be helpful to Queensland's regional ports, if they also did this.

22. Pilot and Tug Exemption to Cut Costs for Coastal Shipping:

- 22.1. Tug and pilot costs add approximately \$30,000 to each port call, although the cost of two small Bundaberg tugs is approximately \$95,000.
- 22.2. A detailed cost schedule of tug charges will be provided in my presentation.
- 22.3. Fifty-two port calls per annum, at each regional port, for a weekly coastal shipping service is dramatically more expensive than less frequent port calls by international shipping to a single port.

23. Australian coastal ship sea captains be exempt for pilotage - under existing Maritime Board regulations

- 23.1. This means that Australian ship captains can be approved to pilot their own ships and eliminate unnecessary cost overheads.
- 23.2. The writer has specified twin-screw (propeller) ships with a bow thruster on small and maneuverable 4,500 tonne vessels, where tugs are not normally required.

24. Urgently Needed Regional Port Crane Facilities.

- 24.1. This is a classic chick or the egg scenario for container ships visiting regional ports, of which comes first, container volumes or fast craning.
- 24.2. Currently, most regional ports will not invest in expensive, high-speed portainer cranes - until there is enough sea freight passing over their wharves, yet high-speed shore cranes are required to speed-up container loading and volumes to justify portainer cranes.
- 24.3. It is challenging, if not almost impossible for a coastal shipping service to start a weekly, same day at each port coastal shipping service, if it takes two days to unload 400 empty containers and then load 400 full TEUs, at current slow cranes speeds of 10 lifts per hour.
- 24.4. The good news is that the Gladstone Ports Corporation Limited has arranged two shore cranes, which is a quantum leap forward from the slow and heavy-lift NSS mobile crane - which has been removed.
- 24.5. The Ports of Gladstone senior management must be applauded for their initiative.
- 24.6. A coastal shipping service must publish a sailing schedule, of same day port calls each week, (just like trucking and rail timetables), so regional business communities can plan to reliably use coastal sea freight. Otherwise coastal shipping is a waste of money and irrelevant !
- 24.7. The best international, shore crane speed, lift rate is 17 to 21 for a portable shore crane and not 10 lifts per hour, as has occurred in Gladstone.
- 24.8. Training for crane drivers at New Zealand ports, which have high lift levels, will help to solve this.
- 24.9. Political leadership and direction are required to copy the Port of Townsville, so portainer cranes are provided at each regional Queensland ports.
- 24.10. However, container freight and Queensland's coastal shipping is a paradigm shift away from 40-year coastal coal port contracts, or guaranteed passenger ship port calls. Naturally, it is possible to fund expensive coal loaders and passenger reception facilities on the back of these contracts and commitments.

- 24.11. Instead, the container trade requires that infrastructure is purchased first, so larger ships with cheaper container rates as the numbers increase, will make regular and very brief port calls.
- 24.12. Townsville Port has invested \$40M in new, high-speed, portainer crane facilities etc. to service significantly larger container numbers.
- 24.13. Currently, there are no shore cranes at Mackay, Gladstone and Cairns.
- 24.14. However, this initiative also requires commercially competitive fees and charges to take advantage of these much needed and to be applauded new facilities.
- 24.15. Currently, ships' cranes are essential, but slow.
- 24.16. Faster cranes which reduce container-loading times also reduces the daily cost of ship berthing or wharfage fees.
- 24.17. This is because a larger number of containers reduce total port charges levied against each container.
- 24.18. Larger ships will not call at regional ports, without metropolitan portainer cranes, which are now also at the regional Port of Townsville.
- 24.19. Larger ships have very limited port call times and must stick to publish sailing schedules. These larger container ships simply cannot be late for the next port of call, or it is skipped.
- 24.20. Without fast cranage, it is challenging and/or impossible for ship owners to stick to published sailing schedules for a regular, same day, weekly calls at each regional Queensland port.
- 24.21. Cheaper and slower mobile port cranes can move a million container per annum at crowded ports, with ships constantly waiting all year at anchor. However Queensland's regional ports are a different business model.
- 24.22. Queensland's regional ports operate in a different paradigm, where very high-speed loading and unloading is required, before regional ports can attract very brief port calls by weekly or fortnightly shipping.
- 24.23. International stevedoring costs can also be crippling on the viability of regional shipping and shore-based stevedoring is too expensive to use.
- 24.24. Small, high frequency, Australian coastal ships, with Australian ships crews manning ships' cranes at regional ports eliminates this cost burden.
- 24.25. Based on the writer's calculations for coastal shipping in Western Australia, the introduction of additional ships' crew to man ship's cranes in the Port of Brisbane, would potentially reduce coastal shipping costs by up to 25 percent.

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Consultants to shipping/ports and to government providers

