



TORRES SHIRE COUNCIL

To lead, provide & facilitate a safe, sustainable and culturally vibrant community

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Transport and Public Works Committee
Parliament House
George Street
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Dear Committee,

Submission to the Inquiry into a Sustainable Queensland Intrastate Shipping Industry

"A Sustainable Intrastate Shipping Industry would be a godsend to our people".
Mayor Vonda Malone, Torres Shire Council

Honourable Members,

Thank you for the opportunity to appear before the Queensland Legislative Assembly's Transport and Public Works Committee, regarding a Sustainable Queensland Intrastate Shipping Industry.

Council reminds members that on 2 July 2008, the Australian Maritime Safety Authority (AMSA) and the Department of Infrastructure, Transport, Regional Development and Local Government announced a review of the delivery of coastal pilotage services in the Torres Strait and Great Barrier Reef (GBR). Its report noted:

"1.3 The Torres Strait is an area of rich geographical, ecological and cultural diversity, home to some 10,000 indigenous Australian inhabitants, resident on 18 island communities, and some 20,000 indigenous Papua New Guinea nationals, who live in coastal villages. They depend on the unique marine environment for subsistence fishing and their seafood consumption being one of the highest in the world.

1.4 Torres Strait is also a major shipping channel for Australia, linking the Coral Sea in the east with the Arafura Sea in the west providing a sheltered and well surveyed passage. It has over 150 islands and numerous coral cays, exposed sandbanks and reefs, many of which are still to be properly surveyed. It is characterised by fast moving, shallow waters and at its narrowest point, north to south, is 150 kilometres across and presents several navigational challenges for ships with several shallow sections, considerable tidal variations and strong currents.

1.5 Both the GBR and Torres Strait are recognised internationally for their highly sensitive and pristine environments, which Australia seeks to protect from pollution and environmental damage through a range of internationally recognised ship safety and pollution prevention measures ... These include restrictions on discharges from ships, adoption of ship routing and other navigational measures, such as compulsory pilotage and vessel traffic management.

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1.6 Pilotage is an important factor in reducing the risk of a shipping incident during the transit of Torres Strait and the GBR. Up until 1993, the licensing, operational administration and tariff structure of marine pilotage in the GBR and Torres Strait region was the responsibility of the Queensland Government and was operated as a statutory monopoly by the Queensland Marine Board.

1.7 When the Australian Commonwealth Government assumed responsibility from Queensland for regulating coastal pilotage that same year, it adopted the policy that the pilot licensing system to be administered by the Australian Maritime Safety Authority (AMSA) was not to be used for managing service pricing.

1.8 Commercial aspects, such as pilot numbers and charges for pilotage, were to be determined by the market. Government control over these matters was to be relinquished and the provision of coastal pilotage services handed over to the private sector.

Two competing private sector providers emerged from the former statutory monopoly, with a later, third competitor mainly servicing those ships using Hydrographers Passage. The pilot providers offered pilotage services to the shipping industry. Licensed pilots contracted themselves to one of the service providers, creating a competitive pilotage service. Recruitment and training of new pilots, consistent with the AMSA licensing requirements, is arranged through the service provider.

1.11 Competition between the providers initially resulted in a significant reduction in the cost of coastal pilotage to the shipping industry.

Noting the above, Torres Shire Council stresses that more than 10 years later, whilst we support the safety concerns inherent in the 2008 deliberations, we submit that the Torres Shire and the Torres region are now at a much more pressing juncture, one born out of the problems associated with shipping cost and the absence of a sustainable Queensland intrastate shipping industry.

Torres Strait Shipping

The Torres Strait region will always be reliant on shipping services. As an island region, marine transport supports all life and commerce within the Torres Strait, with vessels ranging from large freight carriers to small dinghies, forming a vital network of freight and passenger transport. The vast majority of freight volumes moving in and out of the Torres Strait are by sea. The Torres Strait shipping link and its connectivity with land freight infrastructure and logistics is vital. The cost and frequency of sea access is critical for the sustainability of the Torres Strait Island communities.

The efficiency of the Torres Strait's shipping and freight is driven by several direct and interrelated factors: no competition; scale; and investment.

One commercial shipping company (Sea Swift) based in Cairns operates a fleet of cargo and other vessels servicing the freight and, to a lesser extent, passenger needs of the Torres Strait and the Cape York Peninsula. All sea freight services for the ports of Horn Island, Thursday Island and the outer Torres Strait Island communities (OTSI) are provided by this company. Two main line haul vessels depart Cairns once each week to deliver cargo to Horn Island, Thursday Island and Bamaga. Subject to weather conditions and capacity freight movements, ex-Cairns, are normally able to be completed within seven days to even the OTSI, and within four days to the Port Kennedy area. There is an inherent lack of competition on what is essentially a niche route.

Torres Strait Ports

Ports are an integral link in supply chains and, in a capital constrained environment, it is critical that investment decisions are made commercially. Torres Shire is the administration and commercial hub of the Torres Strait and within the Shire Ports North is responsible for the operation of the ports of Horn Island and Thursday Island.

Sea Swift has a significant footprint on the port infrastructure on both Horn Island and Thursday Island. A lack of common use port infrastructure hampers the expansions of commercial shipping services away from a single freight service provider.

Integrated Freight Strategy

The Cape and Torres Strait region suffers from a lack of an integrated freight strategy. This increases the risk of inefficient decision making in relation to road and rail corridors, connectivity to ports and duplicated infrastructure. The \$260.5 million Cape York Regional Package committed to the upgrade of key roads (particularly the state-controlled Peninsula Development Road) and infrastructure in Cape York to better connect areas of economic opportunity in the region.

The Torres Shire Council recommend that an upgrade of the port facilities and freight handling capacity at Seisia wharf for sea freight from Cairns to Seisia and the Horn Island and Thursday Island wharves for distribution to Horn Island, Thursday Island and the OTSI is warranted as part of an integrated freight strategy.

Coastal Sea Freight Service

Recommendation 1 of the Queensland Government Transport, Housing and Local Government Committee Report No: 59 – Inquiry into Coastal Sea Freight, December 2014 proposed:

“The Legislative Assembly note the considerable benefits a regular coastal sea freight service would provide to the Queensland economy, including providing an environmentally sustainable alternative to road and rail freight, reducing road congestion, improving safety, reducing road maintenance costs, providing resilience to the transport supply chain in times of natural disaster and flow on benefits to the dive tourism and defence sectors.”

The Torres Shire Council strongly request that the Committee consider the recommendation. The establishment of a regular coastal sea freight service could foster diversity in commercial shipping service providers to the Torres Strait and Cape York thus providing the flow of economic benefits to the whole region.

Furthermore, a commercially operated coastal shipping service that achieves interoperability between freight modes and reduces supply chain costs to the regions businesses and residents could have positive impacts on the regions economy.

Cost of Living

Shipping to our Shire is effectively through a virtual monopoly (Sea Swift) and the absence of a regulated competitive intrastate shipping industry is a terrible break on our economic development. It profoundly compounds the terrible cost of living experienced by our communities and unquestionably reduces prosperity and good health in our region.

Transportation cost for goods and services for Council's operations and for the communities of our region is alarming. Our procurement data reveal that for many items the shipping cost adds between 50% - 70% to overheads (on-cost) resulting in the goods being at least double their price to supply. The mark-up on goods is so exorbitant that it can cost our communities anywhere between 50% - 300% more than what it does on the mainland – and this is for basic foodstuffs.

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This, in turn, has a negative impact on healthy lifestyles as the cost of fresh fruit and vegetable and better-quality food is often out of reach for many in the community. This is a national and Queensland disgrace - especially when considering that in the Torres Shire LGA:

- 0.0% are in least disadvantaged quintile; and
- 44.7% are in most disadvantaged quintile

The state of Queensland profile is vastly different, as follows:

- 20.0% in least disadvantaged quintile
- 20.0% in most disadvantaged quintile

(Source: ABS 2033.0.55.001 Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA), Australia, 2016, (Queensland Treasury derived)

These statistics mean that more than twice the number of people who are most disadvantaged reside in our local government area compared to the rest of Queensland.

Whilst the current shipping cost negatively impacts on economic development, cost of living and quality of life, a more competitive industry engaged in intrastate shipping, governed by appropriate safety regulation, would be a godsend for our region.

It is vital that there is a freeing up and expansion of affordable shipping licences and registration conditions to allow our people to obtain these licences and to compete in the shipping market. In turn, this not only has an obvious economic benefit in fostering more jobs and new industry in the region; but it will also lead to reducing the cost of living for our communities. It has the potential to significantly reduce the cost to build and develop in the region. Housing stock will increase. The quality of the housing stock will improve and will lead to the growth of a housing industry. Social housing will be enhanced.

Conclusion

A sustainable intrastate shipping industry in Queensland generally, and the Torres Strait specifically, paves the way for other industries to develop and new start-ups to be established.

Our region needs this. Our shire needs this. Our people need this.

Yours sincerely,



Mrs Dalassa Yorkston
Chief Executive Officer - Torres Shire Council