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Strategic Fleet Taskforce Section
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GPO Box 594
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<https://www.infrastructure.gov.au/have-your-say/establishing-strategic-maritime-fleet-australian-vessels>

30 November 2022

Dear Chair

Australian Aluminium Council Response to Strategic Fleet Taskforce Discussion Paper

The Australian Aluminium Council (the Council) welcomes the opportunity to provide feedback to the Taskforce on the questions raised in the Strategic Fleet Taskforce Discussion Paper (the Paper). In this submission, the Council will focus on a national view, but provide examples of logistical constraints from specific operations. The Council has structured its response as per the Questions in the Paper.

This response represents the views of:

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Part One – Nature of business and nature of shipping needs

1. Are you a cargo owner moving freight by sea?

No

2. Are you a Freight Forwarder?

No

3. Are you a ship owner/operator?

No

4. Are you representing an industry or other peak body?

Yes. The Australian Aluminium Council represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The aluminium industry has been operating in Australia since 1955, and over the decades has been a significant contributor to the nation's economy. It includes five large (>10 Mt per annum) bauxite mines plus several smaller mines which collectively produce over 100 Mt per annum making Australia the world's largest producer of bauxite. Australia is the world's largest exporter of alumina with six alumina refineries producing around 20 Mt per annum of alumina. Australia is the sixth largest producer of aluminium, with four aluminium smelters and additional downstream processing industries including more than 20 extrusion presses. Aluminium is Australia's highest earning manufacturing

export. The industry directly employs more than 17,000 people, including 4,000 full time equivalent contractors. It also indirectly supports around 60,000 families predominantly in regional Australia.

The Australian bauxite, alumina and aluminium industry relies on shipping as an essential mode of transport in the production supply chain, providing a maritime conveyor for vertically integrated facilities, with major shipping routes highlighted in Figure 1. Vessels are used to transport both bauxite and alumina to refineries and smelters respectively, as well as to carry other inputs that are essential to the operation of the facilities. Interstate shipping may also be the mode of transport used to move the finished product from aluminium smelters. Timeliness of delivery is of great importance to operations and costs of freight are substantial for the companies involved. The industry has annual intrastate shipping requirements of around 14 million tonnes and interstate coastal shipping requirements of approximately 3.5 million tonnes. Additionally, as an export focussed industry, the industry exports around 55 Mt of product a year. While bauxite and alumina are exported as bulk products, aluminium is exported in either break bulk or containerised form; and a combination of dedicated and multi-use port facilities are used.

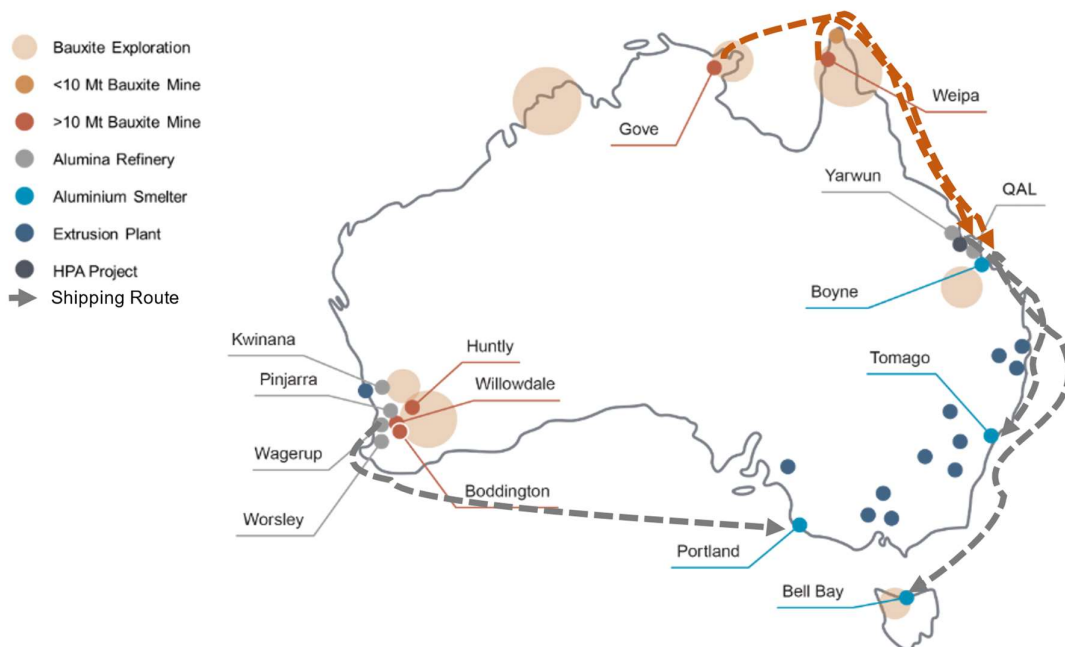


Figure 1. Location of Australian Aluminium Industry Facilities and Major Shipping Routes

The industry has interstate shipping requirements of approximately 3.5 Mt per year, predominantly alumina shipped from refineries to aluminium smelters. This is covered by the Coastal Trading Act 2012, and the key issues for the industry under the current act are:

- Currently, there is no General Licence holder able to service the alumina dry bulk market.
- Previously, only one single General Licence holder was able to service the alumina dry bulk market, leading to a monopoly situation at substantially higher costs than existed previously in the market.
- Applications by General Licence holders for voyages with vessels which were unsafe or unsuitable for the route; and
- Even if there were competitive, safe and suitable vessels, the requirement to apply for a minimum of five voyages under a Temporary Licence and to lock-in loading dates and ports, does not allow for sufficient operational flexibility.

The industry has therefore, previously raised a range of potential solutions to the issues currently faced; which would include, in order of hierarchy:

- 1) Publication of a schedule of specific routes / trades where there are currently no General Licence (GL) vessels and voyages undertaken on these routes / trades would be exempt from the current process. Publication of these routes / trades would indicate to potential General Licence holders where there was an opportunity to commercially enter the market, providing an incentive for new operators to enter the market.
- 2) For routes / trades, still subject to the current process:
 - a) Remove the five voyage minimum requirement for a temporary licence (TL), allowing for applications for a single voyage;
 - b) Amend the tolerance provisions and voyage notification requirements, to allow loading and discharge ports and dates to be varied in order to allow adequate operational flexibility;
 - c) Broaden the definition of an 'emergency' to encompass any circumstance that risks the ongoing operation or viability of a facility dependent on inputs being delivered via coastal shipping; and
 - d) Where the Minister or the Department is required to decide or pass judgement – including issuing or adjusting Temporary Licences (TL) - there should be a requirement to consider commercial factors (including value for money to the party contracting the shipping), safety and vessel suitability.

5. Are you another stakeholder?

No

Part Two - Strategic needs

- **6. If there was a major disruption that means shipping ceased for more than a few weeks what would be the financial and non-financial consequences for:**
- **your business**
- **your customers**
- **the economy**
- **the community**

Aluminium is one of the commodities most widely used in the global transition to a clean energy future¹. It is also recognised for its importance to both economic development and low emissions transition. Aluminium use is highly correlated with GDP, so as countries urbanise, per capita use of aluminium increases. It is expected that by 2050, global demand for aluminium is expected to nearly double. While an increasing proportion will be met through recycled aluminium, there will still be increased production of primary aluminium requiring a comparable increase in global bauxite mining and alumina refining rates.

The Council believes there is an opportunity for Australia to capitalise on its own strategic advantage and maximise economic value. Today's aluminium industry contributes around \$16.9B² a year to the economy in export value (Figure 2). More than \$15 B of this comes from the alumina and aluminium industries, as value adding mineral processing sectors. Australia is one of the very few countries which has bauxite mining, alumina refining, aluminium smelting and aluminium extrusion industries, making aluminium one of the few commodities in which the raw materials are mined and are processed all the way to a consumer product right here in Australia.

However, this vertically integrated bauxite, alumina and aluminium industry relies on shipping as an essential mode of transport in the production supply chain. Vessels are used to transport both bauxite and alumina to refineries and smelters respectively, as well as to carry other inputs that are essential to the operation of the facilities. Interstate shipping may also be the mode of transport used to move the finished product from aluminium smelters. Timeliness of delivery is of great importance to operations, and costs of freight are substantial for the companies involved.

¹ <https://www.worldbank.org/en/topic/extractiveindustries/brief/climate-smart-mining-minerals-for-climate-action>

² <https://www.industry.gov.au/sites/default/files/minisite/static/ba3c15bd-3747-4346-a328-6b5a43672abf/resources-and-energy-quarterly-september-2022/documents/Resources-and-Energy-Quarterly-September-2022-Aluminium.pdf>

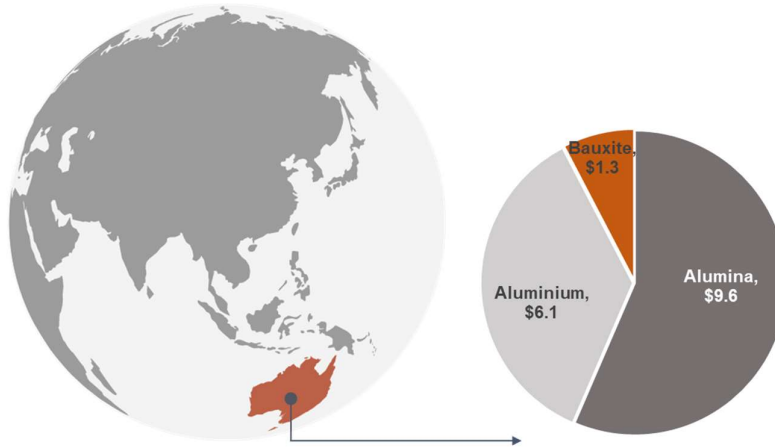


Figure 2. FY 2021-22 Industry Export Value (\$B)³

Smelters and refineries would typically only have *days to weeks* of raw materials stockpiled, due to the scale of operations and limitations on storage capability. In this context the cessation of shipping for any raw material for any period of weeks would be catastrophic for any impacted business, resulting in shutdown. These facilities are not easily shutdown, nor reopened, having operated continuously since the day each has opened in the last 65 years. This would have associated impact for the economic value of the industry to the economy as well as the regions in which the industry operates.

The nature of Australia's bauxite and alumina industries being both export and coastal driven means that vessels which are chartered by operators will need to have operational flexibility to be scheduled both domestically and internationally.

There are also many different vessel types which currently provide coastal shipping services. These vessel types need to cater to specific requirements at the various terminals as well as increased safety requirements if they transit the Great Barrier Reef. Having these trades be performed by a dedicated 'Strategic Fleet' makes it difficult to adhere to the above requirements.

The industry's previous experience in this circumstance was that when there was only one single General Licence holder able to service the market, the monopoly situation resulted in substantially⁴ higher costs than existed previously in the market and there were applications for voyages with vessels which were unsafe or unsuitable for the route. The Council believes that well designed modifications to the Coastal Trading Act 2012, as outlined in response to Question 4, would better meet the needs of the aluminium industry. A strategic fleet may be an optimum solution for other industries.

What are the benefits from the fleet during 'business as usual' or other scenarios?

In considering a business-as-usual scenario, it is worth reflecting on the range of issues which have presented themselves over the last three years. The COVID-19 pandemic has underscored the importance of manufacturing domestically, supporting a productive and resilient economy. The COVID crisis has demonstrated the advantages of not only the ability to value add within an almost exclusively domestic supply chain but also the importance of local industry which provides the underpinning market for our dependent contracting and manufacturing sector. In the downstream sector, COVID- 19 has interrupted import supply chains for customers who previously sourced materials internationally. This, combined with

³ <https://www.industry.gov.au/sites/default/files/minisite/static/ba3c15bd-3747-4346-a328-6b5a43672abf/resources-and-energy-quarterly-september-2022/documents/Resources-and-Energy-Quarterly-September-2022-Aluminium.pdf>

⁴ <https://www.infrastructure.gov.au/infrastructure-transport-vehicles/maritime/publications/factsheets>

significant disruption in shipping logistics, meant many companies with international supply chains needed to look for local solutions. Australian aluminium extruders were able to step into the breach to avoid more significant impacts on other sectors, such as building and construction, by replacing imported supply chain elements with domestic production. For example, solar rail, window and door products reverted to Australian based production to keep their businesses and customers supplied. This experience also applied across critical market segments including defence, heavy transport, ship building, medical equipment, building and construction (residential, commercial and industrial), medical, energy and infrastructure projects. A strong domestic aluminium extrusion sector helps ensure that broader economic activity is able to continue in times of national crisis like COVID-19.

More recently, in late 2021 and early 2022, the sector has been heavily impacted by supply chain shortages; particularly of imported goods which arrive by container such as personal protective equipment (boots, clothing etc); chemicals and specialist raw materials. This has required ongoing endeavour by operational procurement teams to ensure there are multiple plans and pathways where possible.

Again, during a business-as-usual scenario, the Council does not believe that a Strategic Fleet is the optimum solution for the aluminium industry and would support well designed modifications to the Coastal Trading Act 2012 to better meet the needs of the industry.

7. Benefits to you or your stakeholders.

- **If a fleet of Australian flagged and crewed vessels was established, would you see benefits from the fleet for your business or your stakeholders during periods of ‘business as usual’?**
- **What are these and who would benefit?**
- **Do you have any data or research that quantifies these benefits?**

The Council supports well-designed modifications to the Coastal Trading Act as an alternative approach to a Strategic Fleet.

8. Broader benefits

- **Do you see the fleet providing benefits to national security and sovereignty?**
- **What are these benefits and who would benefit?**
- **Do you have any data or research that quantifies these benefits?**
- **Do you see the fleet supporting future economic activity?**
- **What activity and who would benefit?**
- **Do you have any data or research that quantifies these benefits?**

The Council supports well-designed modifications to the Coastal Trading Act as an alternative approach to a Strategic Fleet.

The last three years have highlighted the need to further develop risk-based decision making in development of response protocols to reduce delays and take away increased costs (e.g., from demurrage at ports). The Council welcomes the recognition that further work is required in Australia to address the strategic role of Australia’s marine logistics sector, to help improve the sector’s resilience and support Australia’s productivity. The Council is happy to provide further information on any of the issues raised in this submission.

Kind regards,



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