

Strategic Fleet Taskforce Section
Department of Infrastructure, Transport, Regional Development, Communications and the Arts
GPO Box 594
CANBERRA ACT 2601

07 December 2022

Dear Chair

Rio Tinto response to Strategic Fleet Taskforce Discussion Paper

Rio Tinto 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, we have structured our response per the questions provided in the Paper, and also provided a brief background of Rio Tinto's shipping operations, our priorities, and approach towards supporting a competitive and sustainable Australian shipping sector.

Should you require further information please do not hesitate in directing your queries to Jaeson Wells, Senior Manager, Government Relations.

Email: jaeson.wells@riotinto.com

Mobile: +61 457157669

Yours sincerely



Kellie Parker
Chief Executive, Australia

Priorities

We believe legislation towards a “strategic fleet” should support maintaining a competitive and viable Australian domestic shipping sector. Access to a global network of vessels and international crews is crucial to ensuring the competitiveness of Australian products in the global marketplace. We are supportive of policies that:

- Prioritise maritime safety and crew health & welfare and minimising the impact of shipping on the environment – safe and sustainable shipping activities
- Promote competition and provide international vessels the freedom to operate in Australian waters, including flexibility to access both Australian and international flagged vessels.
- Optimise shipping supply chain competitiveness to support Australian operations and jobs
- Continue to pursue the most competitive business solution that supports the delivery of our ‘Best Operator’ objective.
- Support shipping decarbonization across the different segments and the value chain

Background

Shipping is a vital link in connecting Rio Tinto’s products and Australian minerals with the global economy.

Rio Tinto’s shipping operations are a critical supply chain partner to the company’s mining businesses. A key focus of Rio Tinto Marine (RTM)’s operations is ensuring industry-leading safety, environmental and operational standards, both in third party ships and across the company’s fleet of owned ships.

By volume, Rio Tinto is the largest dry bulk shipping operator in the world, operating 17 vessels of its own and contracting a fleet of around 230 vessels at any given time. In 2021, RTM performed 2,700 voyages and transported over 300 million tonnes of products to our customers across multiple continents.

We move a broad range of commodities including iron ore, bauxite, salt, alumina, borates and metal. These are carried in a mixture of ship sizes and types ranging from very large ore carriers through bulk carriers and container ships to small coasters.

Coastal Shipping

As a direct participant in the sector, a safe, sustainable, and competitive shipping industry is fundamental to Rio Tinto’s value chain.

Coastal shipping provides a vital link in the value chain between Rio Tinto’s assets and projects in Australia, particularly our smelting and refining operations.

Rio Tinto’s use of domestic shipping is particularly important in Queensland where we have been operating on the state’s coastal routes for more than 40 years. Rio Tinto’s use of both owned and internationally chartered bulk carriers (including Australian-crewed dry bulk carriers) in Australian interstate and intrastate shipping routes represents over 90% by volume of overall intra-state shipping in Queensland – making us the largest coastal shipper. The interstate shipments operate under the Coastal Trading Act and are governed by a Temporary License which RTM renews annually.

Rio Tinto bauxite mines, alumina refineries and aluminium smelters which rely on domestic shipping employ over 5,600 workers. The table below shows the major coastal trades in which Rio Tinto operates domestically.

Trade Route	Cargo type	Annual Volume
Gove (NT), Weipa (QLD), Amrun (QLD) -> Gladstone (QLD)	Bauxite	17 MT
Gladstone (QLD) -> Newcastle (NSW), Bell Bay (TAS)	Alumina	1.1 MT
Dampier (WA) -> Port Kembla (NSW)	Iron Ore	1.7 MT

Table 2: Coastal shipment volumes (in Million Tonnes)

Rio Tinto uses four Australian-crewed dry bulk carriers which perform dedicated voyages between Gove/Weipa and Amrun into RTA's Refineries in Gladstone. These vessels are Post Panamax type (90 KDWT) and move over 8 million tonnes annually. These shipping activities provide employment for approximately >130 Australian seafarers.

Another important consideration is the high-risk nature of the coastal transit (through the Great Barrier Reef) and currently, vessel age is a limiting factor on whether ships can trade this route. All Rio Tinto owned, operated and chartered vessels operating in Australia comply with Australian and international shipping standards and regulations. We also require strict enforcement from our ship managers and contractors and full compliance with all applicable laws and regulations.

A safe, sustainable, efficient, and competitive domestic shipping industry is vital in maintaining the viability of our bauxite mines, alumina refineries and aluminium smelters and ensuring that they are competitive in a global alumina market. Rio Tinto's aluminium industry is currently financially challenged, and internationally competitive freight costs are critical for the viability of the business.

There are also significant volumes of iron ore and alumina which are transported on interstate voyages, however these are mostly chartered in vessels from the market. Whilst more than 99% of Rio Tinto's iron ore is shipped to international markets, the domestic trade is of great importance to the local economy and also supports Australia's steel industry.

Questions

Please provide written answers to the following questions.

Please list your organization and contact name.

Organization: Rio Tinto

Contact Name: Hollie Scoon (General Manager Marine Operations)

Contact number and email: +65 8322 1928 and Hollie.Scoon@riotinto.com

Part One – Nature of business and nature of shipping needs

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

Yes

2. Are you a Freight Forwarder?

No

3. Are you a ship owner/operator?

Yes

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

No

Background

Part Two - Strategic needs

Strategic Needs

1. 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*

For context, RTM currently requires a fleet of almost 40 Panamax vessels to fulfil RTA's international and coastal demand for bauxite. Besides the four dedicated Australian crewed vessels, the remainder are flexible to trade Internationally and Domestically. This provides optionality in meeting both Rio Tinto and our customer's needs (cost, revenue, time etc).

If a major disruption was to occur to Rio Tinto's coastal trade, the economic fallout would be significant. The biggest impacted would be to Rio Tinto's Aluminium business. Refineries (which take bauxite) and smelters (alumina) typically do not have large stockpiles (The refineries in Gladstone typically have bauxite stock levels to sustain days to few weeks of production.) Any non-mitigated disruption to shipping and supply into these areas would cause production to cease. This would have a negative impact to the economies of the regions these Refineries and Smelters operate in.

Rio Tinto's domestic iron ore customers also rely heavily on supply into their steel mills. A disruption to this supply chain will halt these businesses which will also have adverse impact to these steel mills and the industries they support.

In addition to the support Rio Tinto provides on coastal shipping, Rio Tinto is a reliable export supplier to our customers in key trading partner countries.

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

Outside of the strategic fleet being called on in times of great disruption, the Taskforce is interested in what other benefits the fleet may provide. In providing your answers to the questions below, you may wish to consider where the fleet might provide more certainty and more control for Government or industry. The following list is a guide – there may be more areas of opportunity for your particular area of shipping.

- *Continuity of supply*
- *Service frequency and reliability*
- *Service quality*
- *Risk mitigation – controlling unknown risk factors*
- *Efficiency and productivity*
- *Ability to secure long terms contracts of affreightment*
- *Freight contract terms e.g. moving from FOB contracts, to, for example, CRF contracts*
- *Future investment in ships, shoreside infrastructure and the workforce*
- *Business development opportunities*
- *Innovation and uptake of technology*
- *Decarbonisation*
- *Creation of a maritime cluster*

One of the difficulties that Rio Tinto has is sourcing Australian crews that are able to sail on large bulk carriers. There is certainly a skills shortage which the introduction of a 'Strategic Fleet' may help create awareness and interest as an industry pathway. However, talent attraction and development should be considered as part of a broader industry wide review.

Rio Tinto supports decarbonisation of the shipping industry and is involved in a number of efficiency and fuel switching initiatives to reduce both Scope 1 (owned vessels) and 3 (Chartered vessels) emissions. There is an opportunity to cater the 'Strategic Fleet' to be aligned with this decarbonation imperative including alternative fuel sourcing, assisting with generation of renewable energy, port efficiencies and energy savings initiatives. There is potential to also investigate green fuel sources such as biodiesel, LNG, green methanol, or green ammonia at competitive prices.

2023 sees the introduction of the measurement of CII (Carbon Intensity Indicator) on vessels as part of global efforts to reduce shipping emissions. This will shape the way we manage coastal shipping as flexibility between performing coastal and international routes is a lever for the business to manage CII impacts.

2. 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?*

For example, having a fleet may provide training and employment opportunities.

We believe government legislation on a strategic fleet should support maintaining a competitive and viable Australian domestic shipping sector. Access to a global network of vessels and international crews is crucial to ensuring the competitiveness of Australian products in the global marketplace. Optionality and flexibility of having both Australian and international flagged vessels to use allows Rio Tinto to be agile when managing

international shipping schedules, emissions regulations (CII), optimising operations, and ensuring vessel availability.

Rio Tinto welcomes and understands that initiatives such as the 'Strategic Fleet' will require the government to implement tax changes that significantly improves the international competitiveness of Australian vessels. Potential tax reforms could extend for businesses as well as individuals (income tax benefits for Australian seafarers).

Rio Tinto's position is to continue to pursue the safest, most sustainable and most competitive business solution that supports the delivery of our 'Best Operator' objective. Rio Tinto welcomes any reforms/policy change which will make Australian shipping more competitive.

3. 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?*

For example, having a fleet may open up regional manufacturing opportunities by moving bulk goods in volumes that are currently unable to be moved by road or rail.

Rio Tinto's coastal shipping activities primarily supports our internal business units. Any changes brought in due to the 'Strategic Fleet' Policy must continue to support business continuity for those companies that currently rely on coastal shipping as part of their supply chain. We believe the vessels we operate on the dry bulk segment would potentially have limited benefits to national security and sovereignty during times of crisis. Vessels that are able to transport personnel/military equipment and protect critical energy and product supply chains such as Ro-Ro vessels, oil tankers and container liners would make more strategic sense from a national security perspective.

Rio Tinto will continue to support the Taskforce through participation in consultation sessions and broader industry support.