



30 November 2023

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

Sent via email:- SFConsultation@infrastructure.gov.au

Reference: Strategic Fleet Taskforce – Discussion Document

Please find attached SCT Logistics response to the Discussion Document Questions.

We look forward to further correspondence and discussion in relation to the establishment of a Strategic Fleet of Australian flagged and crewed vessels.

If you require any further information, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Geoff Smith', written in a cursive style.

Geoff Smith
Managing Director



STRATEGIC FLEET TASKFORCE – DISCUSSION PAPER

Questions

Please provide written answers to the following questions.

Please list your organisation and contact name.

Organisation: **SCT Logistics**

Contact Name: **Mr. Geoff Smith**

Contact number and email (if you are happy for the Taskforce contact you and seek further information on the issues raised in your submission):

email: geoff.smith@sctlogistics.com.au

phone: **(03) 9931 5333**

Part One – Nature of business and nature of shipping needs

To get a picture of your activities and put your later responses into the right context, please answer the following questions.

1. Are you a cargo owner moving freight by sea? Yes or **no (if not please move to next question)**

If yes, please answer the following:

- Do you move sea cargo
 - internationally
 - domestically
 - both
- Do you
 - import
 - export
 - both
- What is the major cargo moved
 - Manufactures – what type
 - Agricultural – what type
 - Chemicals – what type
 - Fuel – what type
 - Minerals – what type
 - Building products – what type
 - Other – please describe
- What vessel type is used to move your cargo
 - bulk
 - container
 - roll-on roll-off
 - Other – please describe
- How often do you move cargo
 - Weekly
 - Monthly
 - Seasonally
 - Ad-hoc
 - Other
- Do you use a freight forwarder to arrange your sea freight?
- Do you own any Australian registered vessels? If yes, what type?
- Do you hold a Temporary Licence under the Coastal Trading Act?
- Do you charter or arrange for charter of foreign flagged vessels? If yes, what type?

2. Are you a Freight Forwarder? Yes or no (if not please move to next question)

If yes, please answer the following:

- Do you organise sea freight?
- If yes, is this
 - Internationally
 - **Domestically**
 - both
- Do you specialise in a type of freight?
 - If yes, what type. – **Food, Beverage, and Retail sector freight movements**

3. Are you a ship owner/operator? Yes or no (if not please move to next question)

If yes, please answer the following:

- Do you operate
 - Internationally
 - Domestically
 - both
- Do you specialise in a type of vessel/freight movement?
 - If yes, what type?
- Do you own any Australian-flagged vessels?
 - If yes, how many and what type?
- Do you operate foreign flagged vessels in Australia?
 - If yes, how many and what type?
- If you own or operate vessels, what determines your choice to register a vessel in a particular flag-state?
- What would motivate you to register (more) vessels in Australia?
- What specific obstacles prevent you from registering more vessels in Australia today?
- Are you also a freight forwarder?
- Do you use the services of a freight forwarder?

4. Are you representing an industry or other peak body? Yes or no (if not please move to next question)

If yes, please answer the following:

- Who do you represent?
- What is your group's interest in the strategic fleet?
- Why are these of interest?

5. Are you another stakeholder? Yes or no (if not please move to next question)

If yes, please answer the following:

- What do you do?

Rail Freight Operator

- What is your interest in the strategic fleet?

Firstly, subject to the critical commercial due diligence process, we view this as an opportunity to diversify into shipping to service our existing customer base with a broader logistics offering where we may differentiate the mode used based on the transit time requirements.

Part Two - Strategic needs

What is the strategic need?

To help the Taskforce home in on what the strategic needs the fleet could meet, the next question takes the example of a long-term stoppage to shipping. This is to help focus attention on the situation where there will be major consequences for the economy and community and to consider how the fleet could be used in times of crisis. This is not to discount the impacts from other disruptions or the consequences for businesses or individuals, but to help government understand how to best use limited resources and identify a fleet that meets the greatest 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
As a rail operator we believe that additional pressure would be placed on the rail industry to fill the void with capacity which could be challenging particularly during a peak period. The consequences would be of a medium level.
 - your customers
The inability to move slower moving freight that fills warehouses particularly in WA with higher volume lower cost items would put customers under supply pressures. Consequences would be low
 - the economy
Potentially higher prices on certain items due to the lower cost transport option being unavailable. Consequences would be medium
 - the community
Lack of availability of certain products. Consequences are low.

Please provide as much detail as possible. You may wish to think about whether the consequences are high, medium or low. A high consequence would mean people's lives would be at risk, medium is where activities could operate at a reduced level through to minor consequence where activities would be able to operate in any case or alternatives are available.

For example, if container shipping stopped and imports of medical equipment were unable to be shipped people's lives may be put at risk. If imports of Halloween decorations were not shipped then there would be little consequence to the economy or community (acknowledging the individual business impacts).

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

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'?

An Australian flagged fleet that serviced the East to West coast route and in turn replaced/minimised the single voyage option, would enable industry and customers to develop a suitable service level for both modes that providing a cost versus service alternative for customers.

- What are these and who would benefit?

Consistency of supply across multiple modes, a noticeable price differential between Road, Rail and Coastal Sea freight, Investment in Australian jobs across all modes. This however needs to be considered in light of the cost structures that apply to shipping sailing domestic freight segments.

Significant damage has been done to the Australian road and rail freight sectors by foreign-flagged ships dumping freight services based on subsistence wages and conditions, an inadequate permitting process and no access charges being paid. Where an Australian-flagged fleet competes with on-land rail options, these matters must be addressed to ensure a level playing field, including the payment of a blue-water access charge akin to those paid to the Federal Government through the ARTC for the use of the rail network.

- Do you have any data or research that quantifies these benefits?

Recently, in February 2022 the main rail route between Adelaide and Perth closed for a period exceeding 20 days. During this time Coastal shipping alternatives were limited as International Ships were enjoying record pricing for international container movements and consequently totally ignored the Australian Coastal Market.

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

8. Broader benefits

- Do you see the fleet providing benefits to national security and sovereignty?

Yes, being dependent on International Shipping to serve the Australian domestic market has proven to be unsuitable in times of need.

- What are these benefits and who would benefit?

Australian businesses are in control of the industry and can work with all stakeholders to develop the best solution when there is a requirement. This may include re-routing ships, prioritising freight, increasing frequency

- Do you have any data or research that quantifies these benefits?
- Do you see the fleet supporting future economic activity?

Yes, as the freight task grows then the split of freight movements across modes will increase in-line. A full suite of mode options may assist in creating new markets on certain freight routes.

- What activity and who would benefit?

Freight movements on return journeys may be able to utilise to the sea-freight mode. This is not possible with foreign vessels as they are a one-way voyage.

- 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.

Part Three – any other information

Please provide any other information that you think would assist the Taskforce in its deliberations on identifying the strategic needs a fleet of vessels could address.

While we understand the commercial viability of the establishment of an Australian shipping fleet by the private sector is being considered at a later stage, this is a fundamental, threshold issue.

Preliminary analysis undertaken by SCT has indicated that there are likely to be substantial challenges around commerciality. We would suggest that the consideration of this issue be brought forward by Government, given the likelihood that any shortfall would be the subject of some type of subsidy request from industry.

An additional consideration is that of foreign ownership having an influence over an 'Australian' fleet over time. In the event this occurs, even if a foreign-owned company has a mix of Australian and foreign crewed ships visiting these shores, it would become difficult to resist the temptation to continually use cheaper

crews.

This also underlines the unenforceability of the existing regulations around foreign-flagged ships paying Australian award wages where domestic segments are being sailed. There have been numerous instances where these arrangements have been breached, with foreign-flagged ships gaming the system. The rail and road freight industries have been advocating against these current arrangements, and it is critical that this process does not simply worsen this situation.