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Establishing a Strategic Maritime Fleet of Australian Vessels

Strategic Fleet Taskforce - Discussion Paper

Response to Questions:

Organisation: Strategic Marine Group Pty Ltd (Commercial Marine Advisors)

Contact Name: Roger Lowe

Contact number & e-mail: as above

Part One

1-4: Not applicable

5. Another Stakeholder; Yes

The Directors of Strategic Marine Group (SMG) have all served at the highest levels within Australian owned shipping businesses (including oil and dry bulk) . We combine extensive experience across the building, chartering, ownership and management of ships and their people.

As consultants we've produced reports for Government Departments (AMSA, Defence) Unions, Cargo interests, Industry, shipowners and charterers on both International and domestic shipping matters including fleet development.

SMG is also currently involved in providing commercial marine advice and brokerage services to the Commonwealth of Australia. This work resulted in several government owned vessels, ADV **Reliant** the latest, entering service in early in 2022. This work has given us insight into opportunities for beneficial strategic cooperation between Defence and the commercial shipping industry.

Part Two – Strategic Need

What is the Strategic need?

6. Australia's supply chains are dominated by foreign interests. Imports, exports and coastal shipment and transshipment supply chains are, predominantly, controlled by external parties. This has a negative economic impact on the Balance of Payments. In times of conflict or major national or international disturbances (civil or natural), historical and contemporary experience suggests Australia's interest will be afforded low priority.

7. A major concern is ensuring the continued availability of suitably trained and experienced marine personnel. This is essential for the viability of maritime businesses and supporting service industries from harbour pilots, tug crews, surveyors, and maintenance engineers etc.

We have carried out some basic research on Temporary Licences issued to foreign shipowners since 2012. This could be useful in understanding the scale of the task, particularly for "strategic" commodities such as fuel.

8. Yes. We need transportation access to strategic oil reserves and other commodities that are not produced or manufactured within Australia. Additionally, when we are assisting the Commonwealth in procuring vessels to be used to support the Royal Australian Navy in defence and other activities, such as Humanitarian Assistance and Disaster Relief, we use civilian (Australian) crews.

Part Three

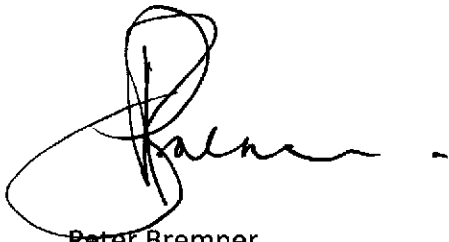
The principal reason the Australian commercial fleet has diminished is its inability to manage costs so as to be able to compete on price with international competitors. This competitive gap is often extended by foreign sellers exercising tight control over their supply chains into Australia. Such control enables efficiencies like voyage and cargo optimisation and low tax domiciles for their ships. With scale, many of the advantageous tactics could be extended to Australian ships by appropriate policy settings but wage costs remain an obstacle.

This dilemma suggest the best solution will be found in capital intensive ships carefully designed to minimise total cost per voyage. A successful example of this is one of the last remaining Australian flag and crewed bulk carriers (cement), mv *Goliath*. Although relatively small and outwardly simple she was, within her first 12 month, delivering more cement annually than any other ship worldwide (According to research by German cement pump manufacturer, IBAU). This translated to a lower delivered cost per tonne. The service speed is a critical factor in high-cost ships and the answer is counterintuitive.

SMG strongly recommends that any recommendations about acquisition of ships for a strategic fleet must include subject matter experts for optimisation of design and the

subsequent management of the ships and crews. The right vessels for the right trade should be commercially managed by personnel with proven commercial and operational success.

These measure will go a long way toward narrowing the competitive gap and minimising the political cost of a strategic fleet.

A handwritten signature in black ink, appearing to read 'Peter Bremner', with a large, stylized initial 'P'.

Peter Bremner
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