



STRATEGIC FLEET TASKFORCE – DISCUSSION PAPER

Background

The Australian Government has committed to establishing a maritime strategic fleet of Australian-flagged and crewed vessels that would secure our ongoing access to fuel and other essential imports. The fleet would be available for requisition by the Government in times of national crisis such as natural disaster or conflict. The fleet is likely to include up to a dozen vessels that will be privately owned and operate commercially. The Government will not be building or buying these vessels. As the first step, the Government has appointed this Taskforce to guide the Government on establishing the fleet.

Under the Terms of Reference for the Taskforce an interim report is to be provided to the Minister by the end of 2022. As the first stage of its considerations, the Taskforce will examine Australia's shipping needs, the effect of disruption scenarios on maritime supply chains, and assess what strategic needs a strategic fleet could address. The Terms of Reference for the Taskforce are at Attachment A.

Purpose

The Taskforce is seeking views through this Discussion Paper from a broad range of stakeholders on the strategic purpose the fleet could fulfil. Stakeholder views are critical for the Taskforce to be fully informed in its deliberations. The information you share will be used to assist the Taskforce to determine what identified freight needs the Government should position itself to influence, and the level of control the Government could have with a strategic fleet of vessels.

This discussion paper includes a series of questions intended to initiate discussion and inform the Taskforce's early advice to the Government as set out in the first phase of the Terms of Reference. Further information on providing a submission is below.

A second round of consultation is expected next year. This will focus more on phase two of the Terms of Reference and go to the detail of the fleet that will be needed to support the strategic needs, and how the Australian shipping industry can be strengthened, including the regulatory framework that may be required to support the fleet.

Context

Shipping is critical to Australia's economic and social wellbeing. Shipping moves 99 per cent by volume and around 80 per cent of the value of our goods trade. Australia is the world's 5th largest user of shipping. By volume this trade is predominantly export of commodities such as iron ore, coal, and liquefied natural gas (LNG). While Australia is a major player in the movement of bulk commodities, Australia's container trade is small by global standards - around 1 per cent of global total container movements. Australia relies on foreign vessels to carry this trade - in 2021, there were 26,400 vessel arrivals made by 6,170 unique foreign flagged vessels.

In terms of domestic trade, coastal shipping is an important, albeit declining, component in Australia's freight task – in 1970, carrying around 50 per cent of the freight task. Today coastal shipping conducted by foreign and Australian vessels carries around 15 per cent of the freight task, with 54.0 million tonnes carried in 2018-19. This is predominantly dry bulk commodities such as magnetite, limestone and cement. While Australia's overall freight task is projected to grow by 35 per cent out to 2040, coastal shipping is projected to carry similar volumes in 2040 as it does today. There are currently 11 Australian flagged vessels (over 2,000 deadweight tonnes) that hold a general licence under the *Coastal Trading (Revitalising Australian Shipping) Act 2012* and carry domestic cargo. These predominantly operate between the mainland and Tasmania.

Of the 6,170 foreign-flagged vessels that arrived in 2021, 513 vessels carried Australian cargo under a Temporary Licence. Of the 54.0 million tonnes carried by coastal shipping in 2018-19 (both licensed and non-licensed (intrastate voyages do not require a licence)), 31.6 million tonnes were carried by foreign-flagged vessels operating under a Temporary Licence, compared with 9.2 million tonnes carried by Australian vessels operating under a General Licence.

While the strategic fleet would operate commercially the Government has stated that vessels in the fleet would be requisitioned in time of national need, whether that be natural disaster or times of conflict. Disruption is complex and exists on a continuum from minor disruptions confined to local regions (such as short-term flooding), up to disruptions on a global scale – such as conflict - that cause severe and enduring impacts on supply chains. As the severity of disruption worsens and the scale of disruption increases, interventions to respond effectively to disruption become costlier and more complex. Thinking about disruption events can help consideration of where the fleet could provide the greatest benefits. There may be other circumstances where the fleet could be called on as well that could be considered.

Understanding how a strategic fleet could interact with Australia's maritime trade is a complex undertaking given the size and breadth of Australia's shipping task. Identifying the capacity needed to move strategic cargoes will assist the Taskforce in framing its advice to Government. As well, where these cargoes move on international and domestic routes needs to be determined to help frame advice. The Taskforce wants to understand where the strategic fleet can make the most difference.

The Taskforce acknowledges there is a cost differential between Australian flagged and foreign flagged vessels. The Taskforce is looking for solutions for establishing the fleet that are cost neutral to the industry and users of shipping. Further work on how a strategic fleet can be established including how to address any cost or other impediments will be undertaken in the second phase of the Taskforce's considerations.

In answering the questions please note that the Government's commitment is to establish a fleet of privately owned and commercially operated vessels. The commitment is not to build or buy vessels. Also, compiling a list of critical goods, drafting changes to specific pieces of legislation and advising on specific existing vessels that could be part of the fleet are out of scope of the Taskforce's Terms of Reference.

Questions

Please provide written answers to the following questions.

Please list your organisation and contact name.

Organisation: Wilmar Sugar Australia

Contact Name: Christopher Stewart

Contact number and email 0439 400312 chris.stewart@au.wilmar-intl.com

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
 - **Refined sugar products**
 - **Agricultural** – what type
 - **Molasses, raw sugar**
 - Chemicals – what type
 - **Fuel** – what type
 - **Ethanol**
 - 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?
 - **Not for bulk cargo**
- Do you own any Australian registered vessels? If yes, what type?
 - **No**

- Do you hold a Temporary Licence under the Coastal Trading Act?
 - **Yes**
 - Do you charter or arrange for charter of foreign flagged vessels? If yes, what type?
 - **Yes: dry bulk carrier for raw sugar, a chemical tanker, and a specialized refined sugar bulk vessel**
- 2. Are you a Freight Forwarder? Yes or no (if not please move to next question)**
- **No**

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.

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?
- What is your interest in the strategic fleet?

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

Significant financial impact and risk to jobs if supply chain constraint results in inability to manufacture and distribute sugar and sugar products to wholesale, retail and industry customers. *Medium consequences.*

- your customers

Disruption of supply chain for manufacturing, food and beverage, food service, retail, pharmaceutical, medical, cosmetic, printing, chemical and other industries. *Medium consequences.*

- the economy

Depending on the availability of road, rail and air alternatives for transport of some product, as well as the duration of disruption, the impact could be significant. Minor consequences if short disruption.

- the community

Our products (raw sugar, refined sugar, specialty ingredients, ethanol, molasses) are variously fundamental elements in community diet, lifestyle, health and comfort. *Minor to medium consequences depending on the duration of a disruption.*

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’?

No

- 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.

8. Broader benefits

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

In the absence of information as to what is the threat to national security and sovereignty, our answer is No.

- 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.

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.

We see no benefit, but risk of disadvantage for our business, and our customers, in a strategic fleet solution that imposes additional cost and administrative complexity, erodes competition and productivity, and reduces our control over supply chains.

The Government’s national interest objectives can and should be achieved without detriment to commerce or trade.

Stakeholder feedback on several key issues raised in the Taskforce’s discussion paper appears largely pre-empted by the Government’s announcement that it has already decided: there will be a strategic fleet; it will comprise up to 12 vessels; that the vessels will be privately owned; that they will be operated by Australian crews; and the fleet will operate commercially at all times when not required by the Australian Government.

Nevertheless, we make a submission on presumption that the Government’s principal objective is as stated in the Taskforce discussion paper – to ‘secure our ongoing access to fuel and other essential imports’ and not to further intervene in Australian maritime arrangements to the extent that might be deduced from the Taskforce’s wide-ranging Terms of Reference.

While we applaud measures aimed at advancing national security and national interest, we urge appropriate weight be given to the Productivity Commission findings published in the September 2022 draft report ***Lifting productivity at Australia’s container ports: between water, wharf and warehouse***. The Commission consulted widely with maritime stakeholders and gathered extensive and detailed information on the workings and challenges of domestic and international shipping. Of particular note in the draft Commission report are these findings:

Page 2

“Concerns about domestic shipping capacity and training may be better resolved by means other than a strategic fleet.

- *Capacity could be acquired as needed from the international market without the costs involved in supporting a national strategic fleet.*
- *Australian-flagged vessels are not a prerequisite to meeting maritime skill requirements. Cadetships and skilled migration appear to be working well in meeting needs for blue-water experience.”*

Pages 54 and 55

- *“Draft finding 12.1 - Coastal shipping regulation impedes competition”*

“Draft finding 12.2 - A strategic fleet requires further evaluation as on present evidence it is not the best remedy for concerns about domestic shipping capacity and training”

We also urge the Taskforce to avoid generalisations in assessing tasks and impacts. For example, our experience during Covid-19 lockdowns and disruptions, natural disasters and during heightened regional tensions of the past three years is not consistent with the disruptions described in the Taskforce Terms of Reference. We have maintained operations and supply chain control through good management, continued access to a large pool of international vessels as and when needed, and efficient and reliable operation of our dedicated refined sugar vessel.

Our involvement in Australian maritime

Wilmar Sugar Australia (Wilmar) is owned by Wilmar International, a global agribusiness group with interests in 50 countries. It is one of the top sugar traders in the world.

- Wilmar is the largest producer of raw and refined sugar in Australia.
- Wilmar owns and operates eight sugar mills in Queensland, producing around 2mt of raw sugar for export per year, representing about 60 per cent of Australia’s total raw sugar exports.
- We employ about 2,000 professional, skilled and non-skilled Australians, contribute \$1.2 billion annually to the economy, and support the livelihood of farming and regional communities throughout north Queensland.
- Wilmar is the majority joint venture partner with Mackay Sugar in **Sugar Australia** which operates refineries in Mackay (Racecourse) and Melbourne (Yarraville). Sugar Australia markets the CSR brand in Australia and New Zealand Sugar markets the Chelsea brand in New Zealand.

- **Wilmar BioEthanol** operates an ethanol distillery in Sarina (Queensland) and a warehouse and packing facility in Yarraville (Victoria).

Access to a cost competitive, reliable and efficient maritime logistics system is vital for the Australian sugar industry – one of Australia’s most important agricultural export industries – to operate domestically, supply customers abroad and compete in a highly competitive global sugar market

As part of an integrated business model, Wilmar International owns a fleet of vessels which cater primarily to in-house needs. The shipping operation is managed by a subsidiary, Raffles Shipping Corporation Pte Ltd.

Raffles also operates the MV *Pioneer* (*exclusively for Sugar Australia*), a specialised food-grade bulk refined sugar vessel – the only one of its type in the world. *Pioneer* has a cargo capacity of 18,500 tonnes and has been designed to load and transport refined, food grade sugar in bulk and discharge it in bulk at 500 tonnes per hour. The vessel regularly loads 160-180,000mt refined sugar in bulk annually from our Mackay Port storage, discharging in bulk at our Glebe storage. Installation of a new discharge capability in 2023 will mean the ship will also discharge in WA and export locations.

Sugar Australia ships approximately 250-270,000 tonnes of bulk raw sugar annually from Queensland to its refinery at Yarraville in Melbourne. Raw sugar is an internationally traded commodity and Sugar Australia is reliant on access to competitive coastal freight rates for its business success.

Wilmar ships 200,000 – 300,000 tonnes of sugar cane molasses annually from Queensland to fermentation and animal feed markets in Victoria and overseas. Due to the unique physical properties of molasses, the product requires specialised handling and shipping.

Wilmar also moves 20,000mt of bioethanol from Mackay to Melbourne and Kwinana annually. Ethanol (non-fuel grade) is an internationally traded commodity chemical. Major trading nations are the USA, Brazil, Pakistan and Thailand. Wilmar has, on occasion, imported ethanol to Melbourne but currently uses bulk chemical tankers operating under Temporary Licences. As this ethanol product has Kosher and British Pharmacopeia status, the product requires specialised handling and shipping.

How I do provide a submission?

Submissions should be in written form. Submissions and any other supplementary information should be provided via the Department’s ‘Have your say’ consultation hub or via email at: SFConsultation@infrastructure.gov.au.

Alternatively, you can send written submissions to:

Strategic Fleet Taskforce Section

Department of Infrastructure, Transport, Regional Development, Communications and the Arts

GPO Box 594

CANBERRA ACT 2601

Submissions should be provided by **30 November 2022** to enable the Taskforce to consider your input in the context of its delivery of an interim report and final report containing recommendations to the Government.

Stakeholder submissions will be published on the Department of Infrastructure, Transport, Regional Development, Communications and the Arts website. Stakeholders can request submissions be partially redacted or not published publicly, should the information provided as part of the submission process be considered sensitive.

Submissions may also be provided to external service providers contracted by the Department.

What are the next steps?

Stakeholder submissions will be collected, analysed and used to inform the Taskforce's analysis.

The Taskforce may undertake additional targeted consultation with select stakeholders to further inform its interim report.

The Taskforce is anticipated to provide its interim report to Government by the end of December 2022. Publication of the interim report is subject to a decision of the Government.

To assist the Taskforce's delivery of a final report in mid-2023, a second discussion paper is expected to be released in early 2023, accompanied by further consultation. The Department will contact stakeholders who provided submissions to advise on the next round of consultation. The Taskforce's webpage will also be updated regularly with the latest information for stakeholders.

ATTACHMENT A

Terms of Reference for Strategic Fleet Taskforce

Australian Government announcement

The Government has announced it will establish a strategic fleet of up to 12 Australian flagged and crewed vessels. The Government has committed to appointing a Taskforce that will provide independent advice to guide its decisions. The Taskforce will provide advice on the establishment of a strategic fleet of Australian flagged and crewed vessels that would be privately owned and operate on a commercial basis, but could be requisitioned by the Government in times of national crisis such as natural disaster or conflict.

Context

Maritime trade is essential to Australia's economic and social wellbeing. Shipping accounts for 99 per cent of the volume and around 80 per cent of the value of Australia's goods trade. Australia is the fifth largest user of shipping services in the world, predominantly the export of commodities such as iron ore, coal and liquefied natural gas. Australia is a much smaller user of container shipping - accounting for around 1 per cent of global trade - but it is critical for our import of goods including medicines, electronics, whitegoods and inputs to production. The container trade also supports exports such as agricultural products and manufactured goods.

Australia relies on foreign flagged vessels to carry our maritime trade. In 2021, there were 26,400 ship arrivals at Australian ports by 6,170 unique foreign flagged ships. This included 1,100 arrivals by fuel tankers – or around 3 arrivals a day. Reflecting the role of bulk commodities in our maritime trade, 69 per cent of unique ships that came to Australia were bulk carriers with container ships and oil tankers accounting for five per cent each.

Over the last 20 years, the number of vessels in the major Australian trading fleet (vessels over 2000 DWT – dead weight tonnes) has decreased from 37 to 15.

Australia relies on a professional and highly-skilled maritime workforce to ensure our vital maritime trade operates safely and efficiently. Secure employment and skills development pathways are needed to ensure

the next generation of Australian seafarers can develop and have the opportunity to perform critical roles such as harbour masters and marine pilots.

Maritime supply chains in Australia and globally have experienced significant disruption due to the COVID-19 pandemic, port congestion and other supply chain issues leading to delays in supply and increased shipping costs. These disruptions have highlighted the interconnectedness and complexity of global shipping supply chains and risks to Australia's economic sovereignty and national security.

Terms of Reference

To manage these risks the Taskforce will undertake an assessment of Australia's current and future shipping needs and maritime policy settings, including the role an Australian strategic fleet could play in the supply chain and in providing training opportunities. Identifying the strategic need first will help the Australian Government to understand what maritime and supply chain capabilities are required, and how a focused strategic fleet could be designed to best enable the Government to respond to future disruptions.

The Taskforce is expected to:

1. undertake an initial strategic assessment of:
 - a. Australia's current and future shipping freight needs
 - b. the types of disruption that may occur, including natural disasters, in coastal and international shipping and how they would affect Australian industry and society, and
 - c. which of the identified freight needs the Government should position itself to influence and the level of control the Government could have with a strategic fleet of vessels.
2. Based on the findings of the initial strategic need's assessment, undertake an assessment to identify:
 - a. preferred composition of the proposed fleet (number of vessels, type, age and capabilities required);
 - b. types of cargo that could be moved;
 - c. industries likely to use the fleet;
 - d. potential commercial partners;
 - e. routes on which vessels could operate commercially;
 - f. costs associated with establishing and maintaining the fleet;
 - g. workforce issues including any current or anticipated structural shifts in the nature and type of work in the Australian shipping industry, and the opportunities for a strategic fleet to provide secure employment, education and skills development pathways for the Australian maritime workforce;
 - h. associated risks including economic viability, market distortion, trade risks and effect on onshore users of shipping and on other transport modes; and
 - i. opportunities for a fleet to contribute to other Australian Government priorities and initiatives such as:
 - responses to emergencies and natural disasters, including the disaster ready fund;
 - supporting Defence or national mobilisation requirements;
 - building a more secure and resilient Australia by deepening partnerships with regional neighbours;
 - enhancing critical supply chains including Defence material;
 - supporting industry development and manufacturing initiatives;
 - trade diversification; and
 - reducing carbon emissions and future fuels development.
3. examine methods to encourage shipowners to reflag vessels and employ Australian seafarers to give the Australian Government the maritime capability it requires and provide advice on the likely effectiveness of each method;
4. identify any other maritime policy options outside of the strategic fleet that would provide the government with a direct ability to reduce supply chain risks;

5. provide an indicative impact assessment of the effect that establishing a fleet would have on the Australian shipping industry, Australian users of shipping, the operation of Defence commercial vessels, the economy and national security;
6. assess whether the current regulatory framework is fit for purpose to support establishment of a strategic fleet, and provide advice on where the regulatory environment may need to change including:
 - a. any adjustments to Australia's maritime taxation arrangements;
 - b. any adjustments to vessel registration and coastal shipping regulatory frameworks;
 - c. analysis of regulatory and cost implications for users of shipping, Australian vessels and foreign vessels;
 - d. how any proposed changes would support the strategic needs identified in the initial strategic needs assessment; and
 - e. the regulatory arrangements needed to enable the Government to requisition and redeploy vessels in times of crisis.
7. identify opportunities to partner with states, territories or New Zealand on matters related to the work of the Taskforce.
8. consider any other matters related to the Taskforce's objective.

The Taskforce will engage in broad stakeholder consultation to ensure a range of views are considered. The Taskforce will also commission industry expert advice as appropriate to ensure any recommendations are commercially viable and supported by data and analysis. Advice will also be sought to ensure recommendations comply with Australia's international obligations. The Taskforce should consider the potential to demonstrate options through undertaking pilots or adopting a phased introduction.

The Taskforce should have regard to any recent policy reviews, reports or research commissioned by Australian governments related to the work of the Taskforce.

Out of Scope

The Taskforce will not:

1. compile a list of goods it considers critical to Australia, rather it will provide information on the capacity/capability needed to allow the movement of types of cargo that are critical
2. draft changes to specific pieces of legislation, rather it will advise on broader reforms needed
3. provide advice on specific existing vessels that could be chartered or otherwise engaged.

Governance

The Taskforce will report to the Australian Government through the Minister for Infrastructure, Transport, Regional Development and Local Government. The Taskforce is an advisory body only.

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts will provide the secretariat for the Taskforce. The secretariat will be supplemented by officers from other Commonwealth agencies. The secretariat will also obtain internal and external expert commercial and legal advice and data analysis as appropriate.

Membership

The Taskforce will be Chaired by Mr John Mullen. The Taskforce includes representatives from the Australian Government, shipping industry, major charterers, unions and Australian business.

The membership of the Taskforce includes: Dr Sarah Ryan, Mr Paddy Crumlin, Ms Angela Gillham and Major-General Jason Walk.

Timeframes

The Taskforce will provide an interim report to the Australian Government by 30 December 2022 with findings from the initial strategic assessment as described in item 1 of the Terms of Reference. The interim report should include advice on any early actions it has identified that the Australian Government could take consistent with the full Terms of Reference.

The Taskforce will provide its final report to the Australian Government by 30 June 2023.

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