



**MARITIME
INDUSTRY
AUSTRALIA**
L I M I T E D

**Review of the
National Freight and
Supply Chain Strategy**

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1. About MIAL

- 1.1. Maritime Industry Australia Ltd (MIAL) is the voice and advocate for the Australian maritime industry. MIAL is at the centre of industry transformation; coordinating and unifying the industry and providing a cohesive voice for change.
- 1.2. MIAL represents Australian companies which own or operate a diverse range of maritime assets from international and domestic trading ships; floating production storage and offloading units; cruise ships; offshore oil and gas support vessels; domestic towage and salvage tugs; scientific research vessels; dredges; workboats; construction and utility vessels and ferries. MIAL provides a full suite of maritime knowledge and expertise from local settings to global frameworks. This gives us a unique perspective.
- 1.3. We work with all levels of government, local and international stakeholders ensuring that the Australian maritime industry is heard. We provide leadership, advice and assistance to our members spanning topics that include workforce, environment, safety, operations, fiscal and industry structural policy.
- 1.4. MIAL's vision is for a prosperous Australia with strong sovereign maritime capability.

2. Overview

- 2.1. MIAL appreciates the opportunity to provide input into the review of the National Freight and Supply Chain Strategy (Strategy). The current climate, with Australia having emerged from an international pandemic, increasing geopolitical tension in the region, increasing frequency of naturally occurring disasters and Australia's net zero commitment, all necessitating careful consideration of where Australia's priorities should lie. We note that the terms of reference couch this as a review of the strategy.
- 2.2. MIAL however considers optimising the collection and analysis of data concerning freight (routes, mode etc.,) to indicate changes that may have occurred in the preceding 5 years to better inform the strategy over time.
- 2.3. MIAL's input into the review focuses on the oft neglected consideration of the criticality of the maritime industry to Australia's supply chain. Australia is an island nation, with the world's 5th largest shipping task, responsible for exporting the commodities that underpin our economic wealth, and importing the goods that support our way of life and domestic economic activity.
- 2.4. Shipping also provides the critical network of coastal trading and an essential connection for regional and remote communities and Tasmania. Additionally, a thriving cruise and marine tourism sector contributes significantly to the Australian economy. The most recent index from the Australian Institute of Marine Industry puts the economic contribution of the marine industry at \$105 billion.¹
- 2.5. Given this extensive contribution to the national economy, as well as the significant part that shipping will play towards Australia achieving its decarbonisation objectives, the strategy should consider more closely the increased opportunity for infrastructure investment to support the increasing use of shipping as a mode of transport for domestic freight.
- 2.6. The Strategy highlights six key goals which it is designed to achieve, with the Terms of Reference of this review aiming to identify gaps, assess performance and identify a small number of KPIs. The discussion paper also highlights the absence of decarbonisation as a consideration - a clear gap in the current strategy.
- 2.7. The Strategy should be the key document in informing the National Freight and Supply Chain Plan, with the strategy informing critical actions under the Plan, although we note that the current discussion paper centers around the review of the Plan. We note both of these documents were developed on the back of the Inquiry into National Freight and Supply Chain Priorities (Priorities Report) which was finalised in 2018. A lot has changed since then.

¹ AIMS Index of Marine Industry 24 May 2023 https://www.aims.gov.au/sites/default/files/2023-05/AIMS_IndexOfMarineIndustry_24May2023FINAL.pdf

2.8. While the Priorities Report highlighted inflexible and overly burdensome regulation as a driver for the stagnation of coastal shipping as a mode of transport, the report perhaps does not sufficiently acknowledge the impact of the reduction of Australian manufacturing and refining capability and the impact that this had on dedicated domestic coastal trades. The Strategy rightly highlights the importance of gathering data. It's also important that the data is an accurate reflection of the story that it is seeking to tell.

3. Decarbonisation

- 3.1. The domestic transport sector is Australia's second highest emitter² but maximizing the use of shipping, as the most energy efficient mode of long haul bulk transport, represents a genuine opportunity to achieve incremental carbon emissions reduction. More generally, the Strategy should consider that policy mechanisms designed to decarbonise the transport sector have the potential to shift freight to lower emissions modes.
- 3.2. While a hard to abate sector, the maritime industry both domestically and internationally, and from a corporate and regulatory perspective, has set itself the ambitious goal of reaching net Zero Emissions by 2050.
- 3.3. Many ships are already subject to carbon intensity reduction regulations and there is increasing pressure on the industry to decarbonise rapidly. As a result we will see more stringent technical measures apply over time as well as economic measures implemented at a global level that are likely to drive a maritime energy transition and significant opportunities for Australia to generate the low and zero carbon fuels to decarbonise the industry.
- 3.4. The key consideration that the revised Strategy must account for is that Australia is not currently a 'bunkering nation', however this may change over time, and future infrastructure development to facilitate this transition must be planned for.
- 3.5. As Australia realises its offshore wind and green energy generation potential, decarbonisation efforts outside of transport will also have an impact of the ports and maritime interface via:
 - Imports and other logistics relating to offshore wind turbine components and offshore wind project construction.
 - New energy (hydrogen, methanol, ammonia etc.) exports and coastal shipping movements
- 3.6. The Strategy must be a living and agile document with strong links to existing transport (and other relevant) sectoral decarbonisation plans. Critical elements such as fuel availability in sufficient volumes as well as at strategically designated locations need to be considered. The current state of uncertainty with respect to the future energy supply for the maritime industry means it is going to be difficult for the revised strategy to accurately anticipate the storage and supply infrastructure requirements.

² Department of the Environment and Energy 2018, Australia's emissions projections 2018, Australian Government, Canberra, available via: www.environment.gov.au/climate-change/publications/emissions-projections-2018.

4. Supply chain resilience and sovereign maritime capability

- 4.1. Defining 'resilience' and what it means with respect to our international and domestic supply chains will be critical in this review. The MIAL view, and a view shared across the political divide, is that a strong sovereign maritime industry, both in terms of assets and people, in the national interest and is an essential element of Australian supply chain resilience.
- 4.2. The diversity of commercial vessels operating to, from and around Australia collectively, represent a significant depth of capability to respond to natural disasters, but sovereign control over those assets, if and when they are required to render assistance in times of need, is severely limited which is a major impediment to Australia's supply chain resilience.
- 4.3. As has been the case on numerous occasions prior to the pandemic - during bushfires, floods, cyclones and bridge collapses - maritime assistance and support is crucial to the ongoing safety and wellbeing of affected communities and the Australian population as a whole.
- 4.4. Never was this more evident than during the bushfires over the 2019/20 summer when vessels supported communities in Victoria, NSW and South Australia at the height of the fires and in the evacuation and rebuilding effort that was required afterwards. As we discovered, maritime support during bushfires is even more important due to the restricted aviation capability due to persistent smoke.
- 4.5. The challenges presented by the COVID-19 crisis in having reliable access to shipping services has again highlighted the benefit of national capability, and importantly, the urgent need to build that capability, particularly considering the immense issues relating to cross-border movements of maritime crew.
- 4.6. Additionally, the temporary closure of the Trans Australian Railway due to flooding demonstrated the significant risk of an overreliance on a single mode of transport to connect Australian communities and support domestic trade. Rail, while an important transport mode for in the Australian supply chain, it is heavily reliant on continued infrastructure development and maintenance and its enduring capability is vulnerable to the increasing frequency of severe weather events. It's essential that targeted infrastructure investment recognises the need for diversity in transport modes to ensure resilience in the event of disruption.
- 4.7. The benefits to the nation of having maritime companies and maritime capabilities, including related land side infrastructure and services (such as wharves & maintenance hubs) as well as vessels, includes:
 - Provision of support to our civilian and Navy fleet.
 - Highly skilled well-paying job opportunities and thriving economic cluster.
 - Divers seagoing assets to support the community in times of need.
 - A functioning pipeline of critical maritime skills (deck officers and marine engineers) to provide the day to day safe and efficient operation of our port, undertake maritime

compliance activities (including port state and flag State control), and provide emergency towage and salvage capability.

- Supply chain security to regional and remote communities with limited infrastructure and landside access options.
- Skills and assets to undertake critical work replacing channel markers, rebuilding wharves and removing debris to ensure that our ports keep operating, our trade lanes are safe, and our marine environment protected.

4.8. Any comprehensive supply chain strategy that considers resilience must recognise the capacity for shipping to overcome disruptions to infrastructure to deliver key support to Australian communities. Such a strategy should not only understand and foreshadow the importance of shipping in general, but consider if ships will be available available to fulfill any demand created by disruption to the supply chain and how they could be directed to do so.

4.9. The Government, through its strategic fleet policy, recognises that the access to a number of strategically valuable maritime assets for use by the Australian government of the day for the benefit of the Australian community is an important lever in demonstrating supply chain resilience and sustainability.

4.10. As is already identified in the consultation paper, the work underway to establish a strategic maritime fleet demonstrates government thinking of the need to invest in the maritime industry as part of the strategy. This should include shore side infrastructure to support not only the strategic fleet but the vessels, both foreign and Australian, who would benefit from being able to locally source marine fuel at a competitive price point. The need for strategic planning around infrastructure investment is touched on below.

5. Priorities for the next 5 year action plan

5.1. The four critical action plans set out in the Strategy are reasonable, however the inclusion of a goal to ensure the diversification of available transport modes should be included. The current strategy shows a significant projected freight growth of 35% from 2018 – 2040.³ This same graphic shows a projected stagnation of shipping for the purposes of Australia's domestic freight chart. Such a trajectory is not consistent with resilience through diversity of transport modes. The projection of the increase of the use of road transport as the predominant method of freight movement appears counter to the Government's decarbonisation objectives and is likely to add significantly to congestion on our roads.

5.2. The Strategy should identify the desirability of ensuring a variety of transport modes are capable of accommodating the increase in the freight task and ensure that infrastructure spend is targeted accordingly.

5.3. The Strategy itself recognises Australia's freight and supply chain performance as being capable of improvement when compared internationally. Accordingly a review of the strategy could benefit from comparison with other comparable countries to the extent they have similar, population, market, geographical etc..metrics.

³Department of Infrastructure, Transport, Cities and Regional Development, Figure 2.2 National Freight and Supply Chan Strategy August 2019, p10.

5.4. As set out in the consultation document, the following strategic reviews are currently underway: and the The three pieces of related work highlighted include:

- Reviews of Infrastructure Australia, Inland Rail and the Road and Rail Supply Chain Resilience Review
- Work on the maritime strategic fleet and the development of an Aviation White Paper and Infrastructure Policy Statement
- The National Reconstruction Fund's priority investment areas of transport.

5.6 The revised strategy should be capable of adopting the learnings from these targeted policy workings.

6. Infrastructure

6.1. The Strategy should, as highlighted earlier, be a responsive and agile document. Since the original inquiry on which the Strategy was based was finalised in March 2018, significant disruptors have affected our supply chain and influenced policy as well as public thinking.

6.2. There also needs to be a consideration of the characteristics of the maritime assets available and likely to be utilised in the market to ensure Australia's infrastructure is compatible. Across the world there is an increasing trend for ships to be built with greater capacity (although this may be cargo dependent) meaning larger berths and deeper channels are required to ensure these ships are able to visit Australian ports either as dedicated coastal traders or a convenient part of an international route.

6.3. Put simply, bigger ships mean more capacity and a potential reduction in freight costs. Bigger ships are cheaper on a cost per teu basis. Bigger ships happen in large increments such as 5100 teu to 6500 teu to 8500 teu, and so their deployment won't follow an economist's graph showing say 4% growth p.a.

6.4. The decision to deploy larger vessels in the Australian trade may be more a factor of other trades being upgraded and the displaced tonnage cascading to Australia. So, in terms of infrastructure planning, it should be assumed that larger tonnage may be deployed earlier than anticipated. Accordingly, it is critical that infrastructure planning understands the market requirements and plans to accommodate them.