

COASTAL SHIPPING*Published  
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Coastal shipping has been more completely protected, for longer than any other significant Australian industry, yet it has never been the subject of an enquiry by the IAC or its predecessor the Tariff Board. It exemplifies with text book simplicity the consequences of trade barriers and is as revealing a case study of mercantilist protection as the taxi industry is of government regulation. Like the car industry, textile, clothing, footwear and the other highly protected industries it is a parasite living off and weakening competitive industries. Like the textile, clothing, footwear and car industries coastal shipping is not within a bull's roar of matching the best foreign competitors but unlike those industries its import quota is set at zero.

Ross McLean, former MHR for Perth, and one of the "Dries" on Fraser's back bench, writing for the Australian Institute for Public Policy (AIPP), tells just how completely uncompetitive coastal shipping has become; how it has blighted the prospects of other existing and potential industries and how the absence of foreign ships on our coast has, in fact, not saved the Australian shipping industry from dwindling. (AIPP is a Perth based organisation founded to encourage understanding of a free society and free enterprise. For the record I declare my association with it.)

McLean's paper starts, "We would expect Australia to have a substantial, robust, and effective shipping industry." Indeed we would. We live on a island with a long coastline with all the major centres of population by it. Not so very many years ago sea was the major link between the States; now, even heavy cargoes like steel, travel even on the longest hauls by road and rail. Maritime employment fell from 40 thousand persons in 1971 to 32 thousand in 1980. In spite of insistence upon the use of Australian vessels in certain circumstances, they can capture only three percent of our international trade. Something has gone very wrong with Australian shipping.

Far more seriously, something has gone very wrong for those industries which must use shipping to live. Except where there is no land link, as between Tasmania and the mainland, coastal sea cargo is almost reduced to bulk solids and bulk liquids. Eighty-five percent of all coastal cargo is now bulk with iron ore, coal, alumina and oil predominating.

The consequences for other Australian industries are evident from three cited examples: Bauxite can be shipped from Weipa to Japan for about the same or less than the cost of shipping to Gladstone; aluminium metal shipped from Bell Bay to Perth costs about \$125/tonne but only \$100/tonne to Japan; and a South Australian trader was quoted \$2,600 to shift a twenty foot container from Melbourne to Devonport but only \$1,600 from Taiwan to Adelaide. It saves freight to process overseas and foreign suppliers have a freight advantage !

Some of the worst consequences of high coastal freights are visited upon the steel industry. The steel industry is itself a protected industry causing problems for the metal trades industries, which in many instances are in turn protected, passing their high costs on to many other industries, including shipping, through such processes as the effect of the high cost of motor transport and the effect of that upon the CPI and wages. A flea hath smaller fleas that on him prey; and these have smaller fleas to bite 'em, and so proceed ad infinitum.

The IAC has calculated that the cost to BHP of not using foreign flag vessels was of the order of \$20 to \$25 million 1977/78 dollars or about \$17,000 per BHP seaman. How ironworkers in Newcastle, Wollongong and Whyalla, whose jobs are anything but safe, can accept that job destroying subsidy is beyond me.

The high cost of coastal vessels does not end with BHP. McLean quotes estimates of \$73,000 (1983 dollars) paid by farmers for each seaman on the Christmas Island rock phosphate trade. The Christmas Island rock phosphate run having been made subject to provisions of the Navigation Act in 1975, it became less costly to ship rock from Florida than from Christmas Island. It is beyond me why farmers, slaughtermen, or phosphate miners on the island should put up with that.

The sugar industry estimates that protection of the Australian coastal shipping trade adds between \$5.50 and \$11.60 to the cost of every tonne of sugar consumed in Australia. Why should the housewife put up with that ?

Perhaps McLean's most horrendous examples are of industries that never were. On one side of our continent we have some of the best iron deposits in the world; on the other, some of the best coal deposits. The W.A. and Queensland governments conducted 'the twin steel plants study' - a proposal, in times when the demand for steel was much rosier, to establish two mills shipping iron in one direction and coal in the other in the same vessels. The study led the WA Department of Industrial Development to say to the IAC, "The advantages of retaining Australian operated shipping on the coast must be weighed carefully against the opportunities forgone in terms of industrial development."

The Western Australian Steel Project (WASP), another dream from the days when new steel making capacity was being built to replace obsolete mills, was similarly prejudiced by high coastal freights. At the time CRA/Hamersley said ".... savings of such magnitude [\$6 to \$7 per tonne] could conceivably have produced a decision by the consortium to go ahead."

In the 1970s salt was shipped from Shark Bay in WA to New Zealand. The Australian and New Zealand unions by insisting on the carriage of the salt in Australian or New Zealand flag ships lost the trade to Mexico. WA interests tried to sell gypsum to Queensland by taking it to Singapore in a foreign vessel, transhipping to another foreign vessel and hence back to Australia. When that proved unacceptable to the unions that industry too was lost to Mexico.

(A government decision to make <sup>a</sup> favourite of one industry is necessarily a decision to destroy others, and in the long run it doesn't even save the protected industry.)

My wife and I once travelled from Perth to Sydney and back on an Adelaide Steamship Company vessel - the Manoorra. Apart from a little sea-sickness the first day into the Bight, it was a very pleasant voyage. It is hard to believe that those friendly officers, stewards and seamen wrecked that service as completely as if they had driven it on to rocks. But they did !