SVITZER

# SVITZER AUSTRALIA

## SUBMISSION TO TFNSW FREIGHT POLICY REFORM PROGRAM CONSULTATION PAPER

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31-05-2024

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## INTRODUCTION

Dear Sir / Madam

Svitzer welcomes the opportunity to provide a submission to the discussion questions contained within the Transport for NSW Freight Policy Reform Program Consultation Paper.

Given the pressures and challenges facing the international and national supply chain – and in particular the port and maritime sector - it is a timely opportunity for review as several significant factors shape the future sustainability of our industry.

This submission focuses on discussion questions one, five and seven.

### About Svitzer

- Svitzer is a world-leading towage and maritime solutions provider operating in 141 ports and 40 terminals in 37 countries worldwide – in our region, we service customers at 27 ports and 7 terminal operations right across Australia and Papua New Guinea.
- We are Australia's largest private employer of Australian seafarers. Our vessels in Australia are Australian crewed, maintained and operated.
- Our footprint and exposure to supply chain, port and maritime trends and issues both internationally and regionally provide us with a unique perspective on the challenges and opportunities to the NSW freight sector, particularly as it relates to maritime and port decarbonisation, workforce and productivity concerns.

### Port and Maritime Supply Chain Context

Svitzer offers the following additional observations as it relates to the current freight & supply chain context:

- Inflation is sticky and cost imposts within the supply chain remain high, and well beyond CPI. Svitzer has experienced double digit increases in costs for services, OEMs, port and other vendors. For example, in the last year on average cost increases for:
    - Dockings (15-20% increase YoY)
    - Contractors and service providers (~20% increase YoY) (largely driven by labour and part costs)
    - Landside lease cost increases (~CPI + 3%)
- Productivity has stalled – according to the Treasury (Commonwealth) productivity growth is at its lowest level in 60 years, at 1.2 per cent per year.

We thank TfNSW for the opportunity to provide a submission on this important reform paper.

## DISCUSSION QUESTION ONE

### Operating in a National and International Trading Context

1. Australia operates in an international trading context. The vast majority of Australia's trade is via shipping and NSW operates within an international context: it is essential that our maritime supply chain is sustainable, safe, reliable and competitive.

2. Insofar as practical – supply chain policy decisions and settings need to be coordinated and led at a COAG / Federal level.
    a. We continue to see disparate Federal and State legislative agendas which provides a lack of certainty and confidence to allow the private sector to invest. And, for companies with international exposure such as Svitzer, prohibits the opportunity to deploy world-leading technologies and assets in-country because other markets are far more attractive investment cases, government support or policy settings.

3. Australia's labour market is constrained and the industrial relations context is highly restrictive – this impinges on the ability to service 24/7 supply chains flexibly and efficiently.

4. While Australia (and NSW) has significant biofuel feedstock, the deployment of biofuels is heavily underutilised and disincentivised. The biofuel opportunity is discussed further in our response to discussion question five.

5. Core principles as it relates to decision making around decarbonisation technologies and future fuel decision making is that it should be industry-sector agnostic and technology-solution agnostic.
    a. For example, States should not preference one transport sector to the detriment of others (for example aviation as opposed to rail, road or maritime transport modes).
    b. As it relates to technologies, governments should take a science-based and commercial-viability approach to potential future fuels. For example, there is significant policy and investment focus on hydrogen – but for sectors such as maritime, this results in limitations for the variety of other potential fuel types that will be in utilisation. We note that methanol is far more advanced as a maritime fuel source, than alternative fuel options (such as hydrogen and ammonia).

### Creating a Sustainable Workforce

6. Svitzer is Australia's largest private employer of Australian seafarers. We have a deep understanding of the levers that influence maritime workforce attraction, retention, performance, development and growth.

7. The maritime workforce, like many industry sectors, is experiencing severe workforce shortages. Despite (in Svitzer's case) incredibly attractive pay, benefits and conditions, this is compounded by:
    a. An ageing, predominantly male workforce (noting:
        i. More than 42% of our employees are over the age of 50. Only 7% are 29 and under.
        ii. 5% of Australian seafarers are women – and while Svitzer doubled its female crew representation in 2022-23, still only 3.5% of our seafaring workforce are women.
        iii. That's despite half of Svitzer's executive leadership team and Port Management teams respectively, being led by women. 2% of Marine Pilots, Tug Masters and Port Officers are women.)
    b. Restrictive and unattractive working environments

8. Creating a more diverse and inclusive workforce is essential to the current and future sustainability of the maritime sector and wider freight and supply chain.

9. Diversity drives innovation and strengthens industry.

**Case Study: Port of Bunbury, Western Australia**

Svitzer has experienced greater levels of performance and engagement in ports with greater levels of diversity. In the Port of Bunbury operation where Svitzer has a higher representation of women (14%) comparative to other port locations, we have experienced: Lower unplanned leave, above average marine service compliance, nil service failures attributed crew absence or lateness and above average employee engagement.

10. Unfortunately, the maritime industry remains an unknown quantity to many potential job seekers and is heavily dependent on 'family and friend' connections.

11. While it is a very rewarding career and there are many professional pathways and development opportunities; it is a tough industry to break into (for a variety of reasons including it is quite a restrictive workplace environment industrially), but also the early phases of work generally lean toward casual roles and the shift work nature is demanding.

**Case Study: Investing in the Australian (&NSW) Maritime Workforce**

Svitzer is committed to investing in building the capacity and capability of the Australian Maritime Workforce. It is doing this through initiatives such as:

- Investment in a Maritime Training Centre of Excellence at its Port of Newcastle tug base (opening H2 2024)
- Partnership with the Clontarf Foundation to provide work experience and deliver traineeships to young indigenous men and boys at four ports nationally.
- A Partnership with the Australian Maritime College to provide an innovative remote learning career progression model for working seafarers.
- Education Partner of Women in Shipping and Trade Association (WISTA) – providing an emerging leader ('Leadership Mastery) course for 120 women in shipping, trade and logistics over the next three years.
- Supporting the maritime supply chain through local content spend with regional Australian-owned companies for manufacturing and heavy maintenance opportunities.

## DISCUSSION QUESTION FIVE

### Decarbonisation: Maximising the Maritime's sector contribution to Net Zero

12. There are several components to decarbonisation that need to be considered:
    a. The Maritime and Ports sector can make a significant contribution to NSW's pathway to net zero.
    b. Harbour towage is a significant contributor to Port emissions.
    c. We need to flatten the emissions curve today as well as create the right policy settings and incentives for industry to be able to deliver decarbonisation solutions over the longer-term.
    d. domestic operators have very few options available to access low carbon liquid fuels in the face of increasing regulatory requirements to reduce carbon intensity.
    e. The policy settings and incentives for industry to decarbonise are not in place.
    f. Maritime supply chain (and freight supply chain) decarbonisation policy requires a national approach and alignment.
    g. There are immediate opportunities that governments can take to support the freight and supply chain sector.

13. Decarbonisation has become a major focus and a central imperative among customers in the maritime industry and ports sector.

14. There is an increasing focus on scope 3 emissions, including towage and other marine services, driven by shipping lines, terminals, and port operators' own targets as well as regulatory requirements and investor pressure.

15. Towage is a carbon intensive business with most of our global fleet operating on marine diesel. The towage sector does not fall under International Maritime Organisation (IMO) decarbonisation targets.

16. Despite this, Svitzer is aiming to reduce our operational fuel intensity by 50% by 2030 and to have net zero carbon neutral operations by 2040. In Australia Svitzer is on target to have all landside operations green powered by the end of 2025 (through Svitzer invested solar power or green power contracts).

17. Svitzer's targets are far in advance of regulatory demands and maritime targets both in Australia and world-wide – our targets are roughly a decade ahead of our peers and industry expectations.

18. There are impediments to deployment of landside solar power and other renewable energy solutions within ports (service / access costs).

### Svitzer's Decarbonisation Context

19. Our experience in decarbonisation internationally and in Australia offers lessons in the balance of deploying technology change and lowering emissions.
    a. Svitzer achieved a 24% carbon intensity reduction internationally in 2023 against baseline.

20. There is no silver bullet to supply chain decarbonisation. Svitzer's Strategy is focused on three pillars: Behaviour, Equipment and Fuel – with the step changes to be achieved through the development of both technology solutions and future fuels.

21. Improving operational efficiency through behavioural change – e.g. driving the tugs more fuel efficiently and optimising operations to minimise inefficient fuel utilisation.
    a. This focus has been delivering significant reductions in fuel use and carbon emissions – with fuel burn in Australia reduced by nearly 10% in the last three years.

22. We note the Reform Program Discussion Paper does not reference biofuels.

23. At this stage, electrification (i.e. electric tugs) do not present a near-term or medium term option for towage operations – particularly in NSW. Electric tugs do not offer requisite power output, charging capacity or service reliability necessary to safely and cost-effectively support Australia's high volume bulk, container line or Ro-Ro (car carrier) shipping vessels calling on NSW ports.

24. Biofuels present an immediate bridging fuel opportunity for immediate decarbonisation benefits.

25. Svitzer has deployed biofuel successfully in operations internationally where policy settings have allowed (Svitzer has 70 tugs operating purely on biodiesel (HVO) in the UK).
    a. The tugboats operating HVO in the UK achieved carbon neutral operations (tank-to-wake) during 2023.

26. Svitzer is finding it challenging to deploy biofuel operations in Australia due to the policy and regulatory landscape and pricing (biofuels are roughly 60-300% more expensive in Australia, despite being a feedstock exporter to other jurisdictions such as the USA).

27. There is a need for a low carbon fuel standard and robust carbon certification regime to support the introduction of renewable fuels.

28. We are encouraged by recent announcements in the Federal Budget (May 2024) that commit to low carbon fuel production and to the accelerated development of a domestic low carbon fuel industry. We note NSW is well positioned to take advantage of these initiatives. In particular, the NSW Government should align and support the following Budget announcements:
    a. Federal investment in the Future Made in Australia Innovation Fund, to support the Australian Renewable Energy Agency to commercialise net zero innovations including low-carbon liquid fuels.
    b. Federal investment in a certification scheme for low-carbon liquid fuels, including Sustainable Aviation Fuels and renewable diesel, in the transport sector by expanding the Guarantee of Origin scheme.
    c. Federal investment in a regulatory impact analysis of the costs and benefits of introducing mandates or other demand-side measures for low carbon liquid fuels.
    d. Targeted consultation to identify options for production incentives to support the establishment of a made in Australia low carbon liquid fuel industry.

29. Svitzer's medium-term focus is on methanol as a future fuel. Svitzer is a signatory to the Port of Melbourne methanol bunkering Memorandum of Understanding – and working closely with the signatories across the maritime supply chain.

## Deploying Innovation in NSW

30. Svitzer is developing a world-first hybrid methanol fuel cell TRAnsverse tug – there is opportunity to deploy this in Australia with the right government incentives.

**Case Study: TRAnsverse Tug**

Svitzer is investing in the revolutionary TRAnsverse tug design for NSW. Two of the tug designs (the second and third to be built in the world) are currently under construction to be deployed to the Port of Newcastle in 2025. The TRAnsverse tugs are a revolutionary tug design, created in collaboration with Robert Allan Ltd, which set a new standard in tug efficiency, power and manoeuvrability, and deliver an estimated 20% reduction in fuel use compared to other tugs on the market. The new tugs will be built to a specification that also enables biofuel operations bringing tank-to-wake carbon emissions to zero.

The TRAnsverse tug's omnidirectional hull form, in combination with its unique towing staple and propulsion system, provides towage capabilities that are unmatched by other tug designs. Its design enables it to maximise the forces necessary for braking and steerage during towage, as it manoeuvres steadily in the water, and consequently without compromising safety, even at full speed range. It maintains position with lower propeller input power than tug designs where the thrusters are mounted side by side, and overall brings a significant increase in stability and freedom of movement. As a result of these features, the TRAnsverse tug meets the full range of complex harbour and terminal towage environments, providing benefits such as the ability to reduce overall time of tug jobs, greater availability in poor weather conditions, reduced emissions and enhanced safety.

The new tugs will meet the highest of efficiency standards and support our Port authorities in reducing their scope 3 emissions and total carbon footprint, whilst not compromising – and indeed improving - on safety and operational performance.

## Capex Cliff for Asset Owners

31. With long asset life and a heavy reliance on liquid fuels, decarbonisation in the maritime sector is a long-term challenge.

32. Policy makers need to ensure they consider the sizeable asset investment that private operators make into assets – that they need to maximise utilisation and depreciation of over time as any commercial company is required.

33. The technology landscape of new assets is not in a place that will keep pace with climate change legislation. Asset owners are investing in and building assets today that are reliant on liquid fuels – and have an asset life of more than 40 years (i.e. beyond 2030, 2040 and 2050 Net Zero commitments).

34. This presents a real capex cliff for asset intensive industries such as towage (but also rail, trucking, aviation etc.). Without thoughtful government policy and incentives – this will result in a sizeable, stranded asset base.

35. The time frame for the study to assess the potential impact of a low carbon fuel mandate is over the next two years to June 2026, which means that any renewable fuel requirement is unlikely to come into force prior to 2028. That may lead to renewable fuel becoming available at reasonable prices from existing projects or from overseas soon after that – but this timeframe does therefore impact investment cases for future assets to be deployed to Australia.

36. This context is also why biofuels are so critical to the decarbonisation pathway to Net Zero.

## DISCUSSION QUESTION SEVEN

37. Svitzer welcomes the opportunity to meet with representatives of Transport for NSW and/or Government to outline future opportunities for NSW.

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