



Australian Government

Australian Maritime Safety Authority

COASTAL PILOTAGE SERVICES IN THE TORRES STRAIT AND GREAT BARRIER REEF

An Issues Paper for use in Consultation with Interested Stakeholders

Summary

This paper explores issues surrounding the current use of an open competition model for the provision of pilotage services in the Great Barrier Reef and Torres Strait. It considers the possibility of progressing to a serial competition model using a single service provider and has been prepared solely for the purpose of initial consultation and discussion with interested stakeholders. The Australian Government has not yet made any decisions on changes to the current regulatory approach.

1. Introduction

1.1 The present open competition model for the provision of pilotage services in the Great Barrier Reef (GBR) and Torres Strait has been criticised by some stakeholders as not providing the optimal safety outcome for ships operating in some of Australia's most sensitive and biologically diverse marine environments.

1.2 This paper examines the safety related issues and potential associated risks and puts forward an alternative pilotage services model as one option to enhance the safety of shipping and environmental protection within this internationally recognised sea area.

2. Background

2.1 Until 1993, the licensing, operational administration and tariff structure of marine pilotage in the GBR and Torres Strait region was the responsibility of the Queensland Government and was operated as a statutory monopoly by the Queensland Marine Board.

2.2 When the Australian Government assumed responsibility from Queensland for regulating coastal pilotage, it adopted a policy that the pilot licensing system to be administered by the Australian Maritime Safety Authority (AMSA) was only for safety regulation and not to be used for managing service pricing.

2.3 Commercial aspects, such as pilot numbers and charges for pilotage, were to be and are currently determined by the market. The government no longer exercised control over these commercial aspects and private sector providers were solely responsible for delivery of coastal pilotage services.

2.4 In July 1993, AMSA assumed responsibility for the licensing and safety regulation of all Australian coastal pilotage services, although these services are presently only required in the GBR and Torres Strait. The relevant statutory requirements are contained in the *Navigation Act 1912* and *Marine Orders Part 54 Coastal Pilotage*⁽¹⁾. The Marine Order includes the Queensland Pilotage Safety Management Code and details of the Torres Strait Pilotage Area.

2.5 Two competing providers emerged from the former statutory monopoly, with a later third competitor only servicing those ships using Hydrographers Passage. Detailed information on

pilotage requirements and services within the GBR and Torres Strait region can be found in the annual list of Notices to Mariners published by the Australian Hydrographic Service⁽²⁾.

2.6 Competition between the providers initially resulted in a reduction in the cost of coastal pilotage to the shipping industry. However, some stakeholders also raised concern that internationally pilotage services were not provided competitively and a high level of competition could potentially impact on the safety of services.

2.7 A number of reviews of coastal pilotage have commented upon the level of competition between coastal pilotage providers. The latest review, *AMSA Coastal Pilotage Regulation Review*⁽³⁾ was published in 2006.

2.8 This independent review noted that safety regulatory regime for coastal pilotage “contain the most comprehensive system of safety regulation of pilotage by a regulator in Australia”. The review also suggested that the existing competitive environment presented difficulties for AMSA, as the safety regulator, in applying the requirements of Marine Orders Part 54 to the three commercial pilotage service providers to deliver identical safety outcomes in each case.

2.9 Some of these difficulties have been identified as stemming from:

- the relationships between the pilotage service providers;
- the relationships between pilots contracted by different providers;
- the relationships between the pilots and providers;
- the requirements for pilot training;
- the need for duplicated infrastructure;
- the daily competition for a limited number of ships; and
- the difficulty in developing an overall safety culture.

3. Technological developments

3.1 As part of its statutory responsibilities for ship safety, AMSA stipulates a maximum draught (12.2 metres) and minimum net Under Keel Clearance (UKC) for all commercial shipping transiting Torres Strait⁽⁴⁾.

3.2 UKC is the distance between the keel of a ship and the seabed required to ensure safe navigation and avoid grounding, which could potentially place seafarers at risk and lead to a significant pollution incident.

3.3 Developments in technology have led to the introduction of predictive and real time UKC management systems in some ports, leading to the more efficient use of approach fairways with limited depths.

3.4 In general terms UKC management relies on a combination of hydrodynamic, hydrographic, meteorological and oceanographic (met-ocean) data and may require pilots to employ sophisticated portable computing equipment with real time data inputs, especially in the case of more open waters.

3.5 A recent study⁽⁵⁾ commissioned by AMSA from Thompson Clarke Shipping found that the introduction of a UKC management system should improve knowledge about actual navigational safety margins, potentially enabling ships with draughts greater than 12.2 metres to transit Torres Strait when particular tidal and met-ocean conditions permit.

3.6 A preliminary estimate of the total anticipated economic benefit from such a system to affected ship owner/operators would be from around A\$10 million to A\$13 million per year,

whilst set up and running costs remain to be fully determined depending upon the system chosen and its method of implementation and delivery.

3.7 AMSA has been engaged with stakeholders over the introduction of a UKC management system for Torres Strait. An advisory committee has been established to help decide the most appropriate delivery model and associated governance arrangements⁽⁶⁾. Advisory committee members have raised issues concerning the potential to regulate safety risks in the commercial provision of UKC services under the current competitive coastal pilotage regime.

4. Possible Alternative Model of Service Delivery

4.1 The GBR and Torres Strait pilotage services are the only pilotage regime in Australia that operates in an openly competitive environment. By way of comparison Australian ports function with a single pilotage provider.

4.2 In February 2008 the National Transport Commission briefed the Australian Transport Council on *National Transport Policy Framework – a New Beginning*⁽⁷⁾. This document contains several broad references to the types of issues already mentioned concerning pilotage services, including the need to focus on wage payment methods and workplace conditions to bring about better transport system safety, as well as improving protection for the environment.

4.3 In line with wanting to ensure the robustness of the regulatory system to deal with future challenges, the Department of Infrastructure, Transport, Regional Development and Local Government and AMSA are investigating alternative models of service delivery to address the issues identified in previous reviews. This issues paper looks at the possibility of one such option, that being a serial competition model using a single service provider to replace the existing open competition model for the provision of pilotage services in the GBR and Torres Strait.

4.4 This model would involve in general terms a periodic tender process for a single provider of pilotage services, in a similar manner to many Australian ports. Pilotage fees to be charged by the successful tenderer would be a factor to be considered in the tender evaluation process, along with a number of other key criteria such as the provision of appropriate training, safety and environmental management, infrastructure and pilotage equipment, as well as the use of technological advances, such as a UKC management system.

4.5 The potential benefits of changing the service provision arrangements to a serial competition model include:

- improving the relationships between individual pilots, as a single provider allocating ships should help reduce any perception of commercial influence on the choice of pilot to undertake a particular pilotage task
- stabilising and strengthening over time the relationship between the pilots and the single provider;
- preventing the financial penalisation of pilots for refusing pilotage to substandard vessels;
- ensuring requirements for consistent pilot training and associated funding could be clearly stated in the contract; and
- reducing the need for duplicated infrastructure and daily competition for a limited number of ships.

The relationships between pilotage service providers would be formalised by using comprehensive transition planning within the tender process to cover the start and end of each contract period;

4.6 Contract management would be underpinned by an audit regime and include suitable incentives for the introduction of continuous improvement initiatives, whilst enhanced mechanisms for ensuring compliance will provide the necessary assurance that essential performance requirements are consistently met.

4.7 The serial competition single provider model also has the potential to generate a number of associated benefits for key players who may wish to take advantage of the opportunities presented if this path were to be followed, for example:

- expansion and/or consolidation options for existing service providers;
- greater pricing certainty for ship owner/operators using the service; and
- more stable employment conditions for pilots in the longer term.

5. Next Steps

5.1 This issues paper has been prepared for the purposes of initial consultation with interested stakeholders.

5.2 It is intended that key stakeholders, including representatives of the pilotage providers, pilots and affected Torres Strait Islander communities and ship owner/operators will be consulted individually, together with other interested parties, including relevant Australian and State Government departments and agencies.

5.3 Feedback from this initial consultation will be collated and analysed before any proposed changes are progressed and these will be accompanied by further consultations with interested stakeholders, including the preparation of a detailed regulation impact assessment for any significant proposed changes.

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References

- (1) Marine Orders Part 54 "Coastal Pilotage", see:
http://www.amsa.gov.au/shipping_safety/marine_orders/Marine_Orders_currently_in_force.asp
- (2) Annual Australian Notices to Mariners in force on 1 January 2008, numbers 10C, 21 and 23, see <http://www.hydro.gov.au/n2m/notices.htm>
- (3) AMSA Coastal Pilotage Regulation Review, Captain John McCoy, December 2005, see:
http://www.amsa.gov.au/Shipping_Safety/Coastal_Pilotage/
- (4) AMSA Marine Notice 23/2007 Draught Limitation in Torres Strait, see:
http://www.amsa.gov.au/Shipping_Safety/Marine_Notices/2007/23-2007.asp
- (5) Under Keel Clearance – Final Thompson Clarke Shipping Report, see:
http://www.amsa.gov.au/Shipping_Safety/Great_Barrier_Reef_and_Torres_Strait/Under_Keel_Clearance_management.asp
- (6) Public Brief on Torres Strait UKC Governance Arrangements, see:
http://www.amsa.gov.au/Shipping_Safety/Great_Barrier_Reef_and_Torres_Strait/Under_Keel_Clearance_management.asp
- (7) National Transport Policy Framework – A New Beginning, see:
<http://www.ntc.gov.au/DocView.aspx?page=A02216506300390020>
