

The Hon Kevin Rudd MP

22<sup>nd</sup> July 2009

Prime Minister  
Fax: (07) 3899 5755

Dear Prime Minister,

**Re: Rio Tinto using Flag of Convenience ships on the Australian coast**

In order to keep you apprised of current developments in the maritime industry, AIMPE presents another report on the current approach of one major industrial operator to their transport needs.

As you will see from the enclosed report, Rio Tinto is now exclusively using Flag of Convenience [FOC] ships to transport its alumina cargoes from the Gladstone refineries to the smelters in Newcastle and in Tasmania. These FOC ships are now routinely using Federal Government Single Voyage Permits on these purely domestic voyages.

This development follows the withdrawal in August last year of the Australian flag vessel “Alltrans” which for 25 years carried the alumina cargoes around the Australian coast. Rio indicated when the “Alltrans” was withdrawn that a replacement vessel would be sourced in due course. This now appears to have been a disingenuous ploy to avoid any industrial action.

The Rio Tinto FOC alumina trade is a clear example of the abuse of “Single Voyage Permits”.

AIMPE believes that the blatant abuse of “Single Voyage Permits” cannot be allowed to continue. The Federal Government must act immediately to put an end to this rort.

AIMPE requests a meeting with you at the earliest opportunity to discuss this matter with you. The very existence of Australian flag shipping is at stake.

Yours faithfully,

Martin Byrne  
Assistant Federal Secretary  
Australian Institute of Marine and Power Engineers

# **Rio Tinto goes FOC**

Rio Tinto Marine has signalled that it intends to exploit every loophole in the Navigation Act to move the group's alumina cargoes around the Australian coast in Flag of Convenience ships.

Decisive action is required by the Federal Government and by the Queensland Government to ensure the survival of the vital coastal shipping trades in bauxite and alumina. Without such action Australia will see the further rapid and dramatic decline of the coastal shipping industry.

Without such action the Governments will effectively decide that coastal shipping in Australia may be carried out by FOC ships or by foreign ships receiving tax benefits from foreign Governments and being operated by foreign crews paying no tax in Australia.

Last month AIMPE detailed Rio Tinto's exploitation of the Queensland intra-State Restricted Use Flags [RUFs] to move bauxite from Weipa to Gladstone, now AIMPE can detail the story of the movement of alumina from Queensland to other ports around Australia.

In the second half of 2008, the self-discharger "Alltrans" was withdrawn from the coastal shipping industry. The "Alltrans" was built to carry the alumina output of the Gladstone refineries to smelters elsewhere in Australia and New Zealand. It started in those trades in 1983. In 2008 after 25 years of service, the company representatives concerned indicated that the vessel was to be withdrawn from the trade. Due to the then high price of replacement tonnage there would not immediately be an Australian manned vessel brought onto the coast to carry out the ongoing alumina trade. However the assurance was made that when the market improved a replacement would be acquired.

The ship was not scrapped however – no it was renamed as the "Star Carrier", re-flagged to the Panamanian registry and redeployed into alternative dry-bulk trades overseas. It is now owned by Marathon Navigation of Panama, managed by ASP Ship Management, Glasgow, and operated by a Ukrainian crew.

Well since 2008 the shipping market has turned – and dramatically so. In 2009 there are ships laid up around the world and charter rates have plunged. Brokers are reporting that prices are way off the highs of 2007-08. However, Rio Tinto Aluminium and QAL have demonstrated that their short-term strategy of reliance on Flag of Convenience ships under the Single Voyage Permit system to move their alumina cargoes around the coast is actually their long term business plan. The Queensland based refinery operators are exclusively using FOCs with Single Voyage Permits to carry their product around the coast – primarily to the Tomago smelter in Newcastle and to the Bell Bay smelter in Tasmania.

PERMIT NUMBER	VESSEL NAME	CARGO	LOADING DATE	LOADING PORT	QUANTITY LOADED	SAILING DATE	DISCHARGE PORT
1843	Voc Daisy	Alumina	22/08/2008	Gladstone	46095	4/09/2008	Newcastle
5522	Voc Daisy	Alumina	16/09/08	Gladstone	44,000	20/09/2008	Newcastle
5543	Voc Daisy	Alumina	29/09/2008	Gladstone	45659	1/10/2008	Newcastle
5544	Eugenia B	Alumina	27/09/2008	Gladstone	44000	1/10/2008	Newcastle
5561	Albany Sound	Alumina	29/092008	Gladstone	12500	5/10/2008	Bell Bay
5576	Eugenia B	Alumina	2/10/2008	Gladstone	45433	7/10/2008	Newcastle
5610	VOC Daisy	Alumina	12/10/2008	Gladstone	45000	16/10/2008	Newcastle
5638	Voc Daisy	Alumina	26/10/2008	Gladstone	45000	30/10/2008	Newcastle
5690	VOC DAISY	Alumina	10/11/2008	Gladstone	45000		Newcastle
5749	CLIPPER LAKE	Alumina	16/11/2008	Gladstone	21000	25/11/2008	Bell Bay
5774	Voc Daisy	Alumina	23/11/2008	Gladstone	45700	30/11/2008	Newcastle
5841	Voc Daisy	Alumina	11/12/2008	Gladstone	45950	15/12/2008	Newcastle
5863	Clipper Lake	Alumina	17/12/2008	Gladstone	21000	17/12/2008	Bell Bay
5860	Furia R	Alumina	16/12/2008	Gladstone	45665	25/12/2008	Newcastle
5876	Voc Daisy	Alumina	23/12/2008	Gladstone	46050	1/01/2009	Newcastle
5920	Nord Sincere	Alumina	25/12/2008	Gladstone	21000	27/12/2008	Bell Bay
???	Furia R	Alumina	4/1/2009	Gladstone	45000	8/1/2009	Newcastle
5930	VOC Daisy	Alumina	30/12/2008	Gladstone	45000	4/01/2009	Newcastle
5946	Cape Nelson	Alumina	12/01/2009	Gladstone	21000	16/01/2009	Bell Bay
5955	Voc Daisy	Alumina	16/01/2009	Gladstone	45000	20/01/2009	Newcastle
5999	Voc Daisy	Alumina	26/01/2009	Gladstone	46030	30/01/2009	Newcastle
6004	Shimanami	Alumina	03/02/2009	Gladstone	20000		Bell Bay
6034	VOC DAISY	Alumina	06/02/2009	Gladstone	45000	10/02/2009	Newcastle
6079	Voc Daisy	Alumina	19/02/2009	Gladstone	45000	23/02/2009	Newcastle
6101	Voc Daisy	Alumina	26/02/2009	Gladstone	45755	2/03/2009	Newcastle
6115	Diamond Harbour	Alumina	04/03/2009	Gladstone	20000	05/03/2009	Bell Bay
6125	VOC DAISY	Alumina	04/03/2009	Gladstone	44000	08/03/2009	Newcastle
6151	IVS Nightingale	Alumina	1/04/2009	Gladstone	26387	12/04/2009	Bell Bay
6154	Voc Daisy	Alumina	12/03/2009	Gladstone	45000	16/03/2009	Newcastle

6174	VOC Daisy	Alumina	22/03/2009	Gladstone	45000	26/03/2009	Newcastle
6203	Tropical Queen	Alumina	31/03/2009	Gladstone	46000	03/04/2009	Newcastle
6217	TROPICAL QUEEN	Alumina	12/04/2009	Gladstone	46000	16/04/2009	Newcastle
6290	Sea Success	Alumina	24/04/2009	Gladstone	25000	25/04/2009	Bell Bay
6318	Tropical Queen	Alumina	07/05/2009	Gladstone	45000	11/05/2009	Newcastle
6343	Tamarugal	Alumina	14/05/2009	Gladstone	45000	18/05/2009	Newcastle
6371	Gitta Oldendorff	Alumina	18/05/2009	Gladstone	21000	21/05/2009	Bell Bay
6388	TAMARUGAL	Alumina	26/05/2009	Gladstone	45000	30/05/2009	Newcastle
6403	TAMARUGAL	Alumina	30/05/2009	Gladstone	45000	03/06/2009	Newcastle
6438	Sea Glory	Alumina	21/06/2009	Gladstone	21000	24/06/2009	Bell Bay
6472	Tamarugal	Alumina	20/06/2009	Gladstone	44000	24/06/2009	Newcastle
6490	Pacific Freedom	Alumina	21/06/2009	Gladstone	20000	25/06/2009	Bell Bay
6523	Tamarugal	Alumina	26/06/2009	Gladstone	44000	30/06/2009	Newcastle
6542	Lourdes	Alumina	02/07/2009	Gladstone	45000	06/07/2009	Newcastle
6535	Pacific Freedom	Alumina	28/06/2009	Gladstone	20000		Bell Bay
6613	Furness Hartlepool	Alumina	17/07/09	Gladstone	49000	21/07/09	Newcastle
6644	Cook Strait	Alumina	30/07/09	Gladstone	25000	04/08/09	Bell Bay

*This table of alumina cargoes is compiled from published data on the Department of Infrastructure and Transport website and from permit applications circulated to AIMPE by the Office of Transport security.*

The table shows 47 permits for alumina cargoes in a period of less than 12 months. That is almost a voyage each week. This level of work is very clearly more than enough to keep one vessel fully occupied. Indeed for several months it appears that the Voc Daisy was very busy shuttling back and forth between Gladstone and Newcastle carrying alumina for the Rio group.

“Voc Daisy” was granted 18 “Single” Voyage Permits in a period just over 6 months long. “Voc Daisy” is a Panamanian flag vessel which is owned by a company with a Liberian address, Middleburg Properties Ltd. The ship manager is a Greek company called Samartzis Maritime Enterprises, while the crew is Filipino. This is a classic Flag of Convenience ship.

“Tropical Queen” picked up a few cargoes after the Voc Daisy. The “Tropical Queen’ is also Panama flag but is owned by a Panamanian company called Primavera Montana SA, and managed by a Japanese company Misuga Kaiun Co Ltd. The crew again is Filipino.

Five times in recent months SVPs have been issued to the “Tamarugal” which is also Panama flag and again Liberian owned – by Lepta Shipping Co Ltd. It is managed by a Japanese company, Orient Marine Co Ltd, and again crewed by Filipino personnel.

What is clear is that a succession of FOC ships have been utilised by Rio and its associates on the Gladstone to Newcastle and Gladstone to Bell Bay routes as if the trade is just the same as its international trading routes.

The continual and automatic issuing of SVPs to Rio in these circumstances is an endorsement of the company’s foreign flag strategy and is the diametric opposite of the original intention of the Permit system.

The concept of the freedom of the high seas has allowed FOC operations to flourish in international trades around the world, however now it is clear that powerful commercial interests like Rio want to turn coastal shipping into another sphere for FOC operations. This is a challenge to Australia’s sovereignty – Australia’s right to regulate a key domestic transport sector.

Martin Byrne