



13 April 2012

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Inquiry into the Shipping Reform Bills

ANL is pleased to make a submission regarding the legislation covering the:

- Coastal Trading (Revitalising Australian Shipping) Bill 2012
- Coastal Trading (Revitalising Australian Shipping) (Consequential Amendments and Transitional Provisions) Bill 2012
- Shipping Registration Amendment (Australian International Shipping Register) Bill 2012
- Shipping Reform (Tax Incentives) Bill 2012
- Tax Laws Amendment (Shipping Reform) Bill 2012

ANL has a long history in Australian shipping, being a government owned shipping line involved in overseas and domestic shipping for most of its history. Now owned by CMA CGM, the worlds 3rd largest container line in the world, ANL remains a major carrier to, from and around Australia.

There can be no question that the Australian shipping industry is in dire straits with ever falling numbers of vessels operating under the Australian flag. The flow on effect of this is more and more reliance on overseas shipping interests. This not only has a balance of payments impact but equally and perhaps more important in the long term is the loss of maritime expertise in Australia. Australia is an island continent and is solely dependant on shipping for its international trade. Whilst most of the actual shipping task can be done by overseas interests there still remains a significant need for maritime skills in our coastal shipping, offshore oil and gas industry and ashore.

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The shore requirement is sometimes lost or underestimated. Australia needs skilled and well experienced maritime people to fill roles in port authorities, safety regulators, marine pilots, ship surveyors, maritime training, ship managers, tug operators, ship salvage and repair, and general management in marine related industries.

These activities whilst all significant in their own right are collectively essential for Australia's future prosperity given how heavily reliant we are on sea transport for overseas trade. We are already experiencing staff shortages and this will drastically worsen as more and more of the current personnel reach retirement age. There are simply not enough opportunities for entrants into the industry and we will be forced more and more to either import the individuals that have the necessary skills or relocate business operations to countries with a greater pool of these skills e.g. Singapore.

The shipping industry has been the subject of many government reviews over the last decade. They all concluded that something needs to be done and each review offered various proposals of what should be done. The problem has been well and truly identified, what is needed now is a government committed to act with a well thought out plan developed in conjunction with the shipping industry.

We need a regulatory system that promotes investment in the industry by offering incentives that level the playing field with other countries and providing certainty so as to underpin the major investment decisions in new vessels.

When Minister Albanese announced the reform package in September 2011, it was the most extensive and welcome reform package for the Australian shipping industry in many decades.

In announcing the reforms, the Minister recognised the urgent need for change and advanced the reform timetable a full year on that originally planned. The staff at the Department of Infrastructure and Transport is to be commended for their efforts in meeting this ambitious timetable and producing the sound package of bills that is now before the Parliament. This has all been achieved with a high degree of industry consultation and discussion.

Has the reform package done enough? Time will tell as companies adjust to the new tax and regulatory regime. Some elements of the reforms are less attractive than what is on offer in other countries and therefore the decision to make the switch to the Australian flag may not be as clear cut. This reform package is long overdue and ground breaking in nature. As with any reform of this magnitude there will need to be a review process and possible adjustments as the uptake is monitored.

In terms of the specific bills we would comment as follow;

1) Tax Bills

The suite of tax reforms is comprehensive and well thought out. The new measures offer companies the chance to improve their cash flows with a choice of either tax exemption or accelerated depreciation. These measures will enhance cash flows and should assist businesses to reinvest in new vessels. They are in effect a deferment of tax as any dividends paid would still be subject to tax. This in our view is where the measures don't go far enough and are out of step with other maritime enhancement regimes around the world.

Investments are decided on the basis of returns to shareholders and therefore the dividends remaining taxable means that the outcome of these reforms is less certain than if more comparable measures had been put in place.

The other components under the tax bills such as roll over relief, royalty withholding tax and seafarer tax offset are all other valuable reforms that will remove regulatory barriers and improve opportunities for Australians to participate in international trades.

2) Australian International Shipping Register (AISR)

The establishment of the AISR is a good move for Australia and has been widely used overseas as a means of promoting increased use of the flag without the full cost impact of the full flag regime. In our view the bill would benefit from having the object of the AISR inserted.

3) Coastal Trading

Of all the bills the coastal trading bill has been the most extensively discussed and modified as the consultation process developed. The Government's objective is to have a regime that encourages the growth of Australian flagged general licence vessels at the same time as enabling to movement of goods around the Australian coast by foreign flagged vessels to meet the needs of the shippers.

These two aims can at times be competing, so the system needs to be clear and transparent so as to provide some degree of certainty to underpin investment decisions of general licence holders and the logistics plans of the cargo interests.

The bill as presented is a robust document that has been through several extensive iterations as part of the consultative process. The real test will come in its application and there will need to be amendment and fine tuning by regulation as the practical day to day issues arise.

Overall this is a sound package of bills and the Government is to be congratulated for not only recognising the need for reform but also doing something about it. The reform package developed in close consultation with the industry is the most comprehensive change in over 100 years. As an island nation Australia has a proud maritime history and we need to make sure we have a viable maritime future. These reforms are a vital step in the process to rebuild Australia's maritime industry.

Yours sincerely,

<signed>

Chris Schultz
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