

# Review of the Application of the Migration Act to Offshore Resource Workers



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Immigration and Citizenship

Submission by:

  
**Australian Shipowners Association**

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## Executive Summary

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Australian maritime workforce participation straddles several different sectors of the economy. The majority of the maritime workforce in Australia is divided between the resource sector (offshore oil and gas), trading ships and harbour towage. Of these, the resource sector is by far the largest, employing some 47% of the total workforce, the remainder divided more or less equally between trading ships and towage operations.

While these sectors are related they are quite different in their characteristics and legislative treatment, in particular the ability for foreign workers to participate. The trading ship sector is characterised by long term, steady job numbers and regular, direct competition from foreign crews. The resource sector is characterised by long term, steady job numbers combined with regular fluctuations in demand as projects evolve through the exploration, construction and production phases and very limited ability for foreign workers to participate. The resource sector is able to offer more favourable employment conditions and superior wages.

The trading ships are therefore caught between needing to compete directly with cheaper foreign workers to retain their contracts and needing to compete with the resource sector superior wages and conditions to keep the staff needed to crew the ships. This is exacerbated by the fluctuations in demand in the resources sector – which as the majority employment sector, has a significant impact across all maritime workforce sectors.

Two clear workforce requirements can be identified:

- That which makes up the fabric of the Australian maritime industry, where jobs are rightly reserved for Australian workers [and benefit the Nation].
- That which is required to deal with short term fluctuations in demand, which if filled entirely by Australian workers creates unsustainable pressure on the operations that form the ‘fabric of the industry’ and in particular on the trading ship sector. It also creates significant instability/unemployment in the workforce during troughs of activity.

This review creates a unique opportunity to:

- provide certainty to the resources sector in relation to access to the required skills during the peak periods of activity;
- alleviate the significant wage pressure on the trading ship sector, which is initiated during times of peak activity and endures thereafter;
- promote a sustainable and stable labour market thereby avoiding a situation of high seafarer unemployment following a temporary peak in labour demand within the offshore oil and gas sector.

The *Migration Act 1958* (Migration Act) should continue to allow for the employment of foreign workers under circumstances which include workers on vessels that are engaged in short term activities such as construction and exploration in the offshore sector - activities that are separate to that which makes up the fabric of the Australian industry.

Furthermore, any amendment to the Migration Act should not inadvertently affect:

- vessels trading between offshore projects and overseas ports; and
- policy decisions already taken not to include certain vessels in the provisions of the *Costal Trading (Revitalising Australian Shipping) Act 2012* (Coastal Trading Act).

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## 2 Introduction

This submission is made on behalf of the Australian Shipowners Association (ASA).

ASA represents Australian companies which own or operate:

- international and domestic trading ships;
- cruise ships;
- domestic towage and salvage tugs;
- scientific research vessels; and
- offshore oil and gas support vessels.

ASA also represents employers of Australian and international maritime labour and operators of vessels under Australian and foreign flags.

ASA provides an important focal point for the companies which choose to base their shipping and seafaring employment operations in Australia. The Association provides a range of support services and advice in the areas of ship operations and safety, environment, human resources, workplace practices, government relations, commercial operations, public relations and international direction.

ASA's purpose is to pursue strategic reforms that provide for a sustainable, vibrant and competitive Australian shipping industry and to promote Australian participation in meeting domestic needs for sea transport services and contribution to Australia's international trade to the benefit of Australian shipowners, their customers and the Nation.

ASA welcomes the opportunity to make a submission on the 'Review of the Application to the Migration Act to Offshore Resource Workers'. In the wake of the shipping reform process implemented by the current government this review provides a unique opportunity to provide an additional degree of certainty to industry and address issues which distort the maritime labour market.

### 3 Maritime Workforce Coverage

Maritime labour participation in Australia can be described as covering the following major areas of operation:

- Trading ships, otherwise known as bluewater ships
- Offshore oil and gas (Resource sector) related activities
- Towage and salvage

For the purposes of this submission the links between the bluewater and offshore oil and gas vessels are critical. The work patterns, qualifications and other employment conditions are most similar between these two ‘sectors’ and hence the impact and influence of each to the other is also greatest.

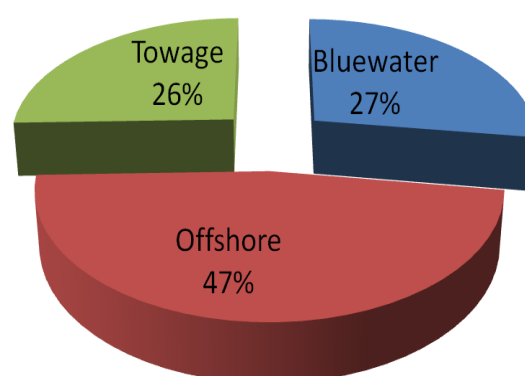
#### 3.1 Who are the maritime workers

The core competencies that result in the qualification and certification of seagoing workers (deck officers, engineer officers, integrated ratings) are the same for all seafarers of a given discipline regardless of what vessel they work on. The skills / qualifications are transferable between the bluewater and offshore sectors.

#### 3.2 Sea-going employment by sector

It is a surprising and enduring characteristic of the industry that it is difficult to specify how many people are engaged in seafaring occupations. We estimate that the total seagoing workforce is approximately 6500 people.

*Figure 1: Seafarer employment by sector, 2009*



The Maritime Workforce Development Forum is currently undertaking an industry census to provide more reliable data in this regard. What is certain is that seagoing jobs in the offshore oil and gas sector represent the vast majority. Any fluctuation in that majority workforce therefore, has a significant impact on the remaining sectors.

## **4 Characteristics of the Maritime Employment Sectors**

### ***4.1 Bluewater shipping***

The importance of maritime transport and logistics to the Australian economy cannot be overstated. It has been described as an ‘underpinning industry’ in that it provides an essential service to all other industries and the community in general. Sea transport represents an integral part of Australian surface transport and is expected to experience significant future growth. Importantly, shipping requires little infrastructure support, while measuring favourably in terms of its environmental impacts.

The bluewater shipping activity in Australia is governed by a suite of legislative and policy settings that effectively see owners of ships employing Australian crews competing directly with ships employing foreign crews (who work in the country under a Maritime Crew Visa). The cost differential between the two is at least \$3 million per annum.

### ***4.2 Offshore oil and gas***

The importance of the resource sector to the Australian economy is well known and acknowledged. Less well known is the maritime component of resource sector activities. A comprehensive summary of this can be found in ASA’s submission to the “Resourcing the Future” inquiry conducted by the National Resources Sector Employment Taskforce in 2010.

In summary, the activities of particular relevance with regard to Oil and Gas Operations (including construction) are:

- supply and support to offshore installations
- anchor handling of offshore facilities
- floating production, storage and offtake (FPSO)
- floating storage off-take units (FSOs)
- self-propelled drilling units
- rigs under move
- pipe-laying

- drilling
- heavy lift
- crane barges
- dive support
- seismic

Two key characteristics of the offshore sector labour market are:

- 1) the labour demand fluctuation in the offshore oil and gas sector are significant as projects evolve through exploration, construction and production phases.
- 2) the offshore sector is not subject to competition from foreign seafarers (in the same systematic fashion as the bluewater sector is).

### ***4.3 Employment arrangements***

The nature of the work and the employment arrangements vary markedly within the seagoing sector. Each of these characteristic has a bearing on total employment costs.

#### **4.3.1 Work cycles**

In Australia a typical work-cycle (known as 'swing') in the bluewater fleet is working six weeks on then having six weeks off. In the offshore oil and gas sector these arrangements can be as generous as three weeks on, three weeks off, three weeks on, six weeks off. Internationally, the periods for which seafarers are contracted to work at sea are often much longer – stretching to months or even years.

#### **4.3.2 Wages**

Wages for officers in the offshore can be 38% higher than those in the bluewater sector (higher still if casual loadings apply, which is often the case in the offshore sector). Wages for Integrated Ratings in the offshore can be 60% higher than those in the bluewater.

#### **4.3.3 Allowances**

A variety of allowances are paid in all manner of seagoing work, however one allowance in particular is significant due to both the magnitude of the allowance and its broad application – that is the construction allowance paid to seafarers involved in



offshore oil and gas construction projects. This allowance is \$181.12 per person per day, and if fully employed on a construction project adds up to 32% to the income of an Integrated Rating per annum.

## **5 The fabric of the Australian Maritime Industry**

Sea transport represents an integral part of Australian surface transport and is expected to experience significant future growth. The movement of goods around the coast and internationally and long term activities associated with the resources/offshore oil and gas industry forms the fabric of the Australian maritime industry.

This core activity level ought to be serviced by Australian workers such that a sustainable, skilled workforce is developed and secured in the national interest. The industry would benefit significantly from a sustainable and stable labour market.

ASA proposes that suitable labour arrangements for the core activities that form the 'fabric of the maritime industry' is appropriately different to the labour arrangements that are required to deal with short term fluctuations in demand.

## **6 Labour peaks in the offshore sector**

As noted earlier, construction and exploration activities in the offshore oil and gas sector are not consistent and as a result, there are peaks and troughs in labour demand – which includes demand for maritime skills.

*Demand for labour in short-term spikes in activity in the offshore oil and gas sector – particularly during exploration and construction – result in a sharp increased demand for maritime skills over a short timeframe.*

This significant demand leads to substantially higher remuneration to attract the required labour in the offshore sector. As a result distortion within the maritime skills labour market arises and places pressure on those activities that form the 'fabric of the industry'. This upward wage pressure is particularly paralysing for the trading ship sector which places them in an unsustainable position.

## 6.1 Pressure on other sectors

The Australian bluewater shipping industry needs to be cost competitive with foreign ships if it is to survive and thrive. The largest cost differential between an Australian and a foreign ship is the cost of wages. The Australian bluewater fleet faces a constant challenge in terms of keeping labour costs down in light of substantial increases in wages paid in the offshore sector.

Increasing the employment costs further increases the wage disparity between Australian crews and foreign crews. This makes it more difficult for shipowners in the trading ship sector to employ Australian seafarers while staying competitive. If it is too expensive to employ Australian seafarers, shipowners will look at other options, such as using foreign ships. If using Australian ships is too expensive cargo interests will use foreign ships or consider land transport options.

The future of Australian seafaring jobs is critically linked to the ability for bluewater employers to retain seagoing staff at reasonable employment costs. Keeping employment costs reasonable is inextricably linked to the wages paid in sectors reliant on the same labour market, i.e. the offshore oil and gas sector.

*Given the shared skills between the sectors, fluctuations in labour supply and demand within the offshore oil and gas industry have a major influence on the cost structures of the domestic bluewater shipping industry.*

## 6.2 Unstable employment environment

Furthermore, in the event that additional seafarers were to be trained in order to meet the demands of these short term spikes in activity in the offshore sector, they are unlikely to be able to be absorbed into the core of the Australian maritime workforce under more normative levels of maritime industry activity that would follow.

*Seafarers take years to train and short term spikes cannot be accommodated by the 'core' industry which does not have, and cannot support, excess capacity when the spike in demand disappears.*

## 7 Shipping reform

This impact of labour pressure from the resource sector to the trading ship sector runs counter to the recent, and most welcome, shipping reform agenda devised and implemented from July 1 this year by the Gillard Labor Government, which aims to provide opportunities for the domestic shipping industry to operate on a more cost competitive basis.

Given the inextricable links between the bluewater and offshore maritime industries, it was unfortunate that the offshore sector was excluded directly from shipping reform policy however, this review provides an opportunity to address this part of the issue.

This review creates a unique opportunity to:

- provide certainty to the offshore sector in relation to access to required skills during the peak periods
- Alleviate the significant wage pressure on the bluewater sector which is initiated during these times and given the nature of employment contracts endures thereafter.
- Promote a sustainable and stable labour market thereby avoiding a situation of high seafarer unemployment following a temporary peak in labour demand in the offshore oil and gas sector.

*The Migration Act should continue to allow for the employment of foreign workers under circumstances which include workers on vessels that are engaged in short term activities such as construction and exploration in the offshore sector - activities that are separate to that which makes up the fabric of the Australian industry.*

## 8 Consideration of inadvertent impacts

Any amendments to the Migration Act should not inadvertently apply to trading ships servicing offshore resource projects. The conditions on which trading vessels engage in activity involving offshore oil and gas platforms or project sites are already covered by Federal and State laws concerned with the appropriate level of 'access' granted to foreign ships to this task. The Coastal Trading Act, recently enacted as

one of the shipping reform outcomes specifically considered the appropriateness of coverage of these vessels. Any amendment to the Migration Act should:

- carefully consider the policy decision already taken not to include these vessels in the application of the Commonwealth Coastal Trading provisions and ought not create an outcome where vessels are affectively covered; and
- ensure that vessels trading between foreign ports and offshore projects, which are not connected with the domestic trade at all, are not inadvertently covered by any change to the Migration Act.

*Any Amendment to the Migration Act should recognise the policy decision already taken not to include these vessels in the application of the Commonwealth Coastal Trading provisions and ought not create an outcome where vessels are affectively covered.*

*Any amendment to the Migration Act should take care not to affect the activities of trading ships operating between offshore platforms within the Australian jurisdiction and overseas ports.*

## **9 Conclusions**

Short term labour market fluctuations in the offshore oil and gas industry can have significant negative impacts on the creation of a sustainable maritime labour force through:

- The creation of dramatic and unsustainable wage pressure across the industry and particularly on the bluewater sector (which is subject to competition from foreign seafarers) in order to retain qualified crew.
- The creation of an oversupply in qualified crew with qualifications that are not readily transferable to shore-based roles at the conclusion of offshore oil and gas construction projects leading to labour supply instability.

ASA is of the view that currently, the Migration Act alleviates these issues somewhat by allowing the employment of foreign workers to undertake some activities during these peak periods, and that the status quo should remain.

Furthermore, any amendment to the Migration Act should not inadvertently affect:

- vessels trading between offshore projects and overseas ports; and
- policy decisions already taken not to include certain vessels in the provisions of the Coastal Trading Act.