



MARITIME UNION OF AUSTRALIA (MUA)

**SUBMISSION TO THE SENATE ECONOMICS
COMMITTEE**

**SUBMISSION TO THE SENATE STANDING
COMMITTEE ON EDUCATION, EMPLOYMENT
AND WORKPLACE RELATIONS**

INQUIRY INTO 5 SHIPPING REFORM BILLS

20 APRIL 2012

1. Introduction

- 1.1 The Maritime Union of Australia (MUA) represents over 13,000 workers in the shipping, offshore oil and gas, stevedoring, port services and diving sectors of the Australian maritime industry.
- 1.2 Members of the MUA work in a range of occupations across all facets of the shipping component of the broader maritime industry including on coastal cargo vessels (dry bulk cargo, liquid bulk cargo, refrigerated cargo, project cargo, container cargo, general cargo) as well as salvage vessels, passenger vessels, towage vessels, ferries, cruise ships and dredges. In the offshore oil and gas industry, MUA members work in a variety of occupations in vessels which support offshore oil and gas exploration e.g. seismic vessels; in offshore oil and gas construction projects including pipe-layers, cable-layers, rock-dumpers, dredges, accommodation vessels, support vessels; and during offshore oil and gas production, on drilling rigs, Floating Production Storage and Offtake tankers (FPSOs), FSOs and support vessels. MUA members work on vessels engaged in international LNG transportation and in some international triangulation trades.
- 1.3 The MUA welcomes the opportunity to make a submission to this Inquiry.

2. Consultation on the Shipping Reform Bills

- 2.1 The MUA wishes to inform the Committee that it is highly satisfied with the level of consultation on the development of the Bills. Furthermore, we are satisfied with the quality of the consultation.
- 2.2 It is important that the Committee be aware that the policy underpinnings that resulted in the specific provisions that shape the content of the Bills has been in the making for a considerable time, particularly the Bills where the policy was driven by the Infrastructure and Transport portfolio, namely, 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; and
 - Shipping Reform (Tax Incentives) Bill 2012.
- 2.3 The consultation began in March 2008 when the Hon Anthony Albanese MP, then Minister for Infrastructure, Transport, Regional Development and Local Government announced that the then House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government would undertake an Inquiry into coastal shipping policy and regulation. The Committee's report entitled *Rebuilding Australia's Coastal Shipping Industry* was tabled in the Parliament on 20 October 2008 and its Recommendations provided the pointers to the shape of the Bills that were eventually introduced into the Parliament on 22 March 2012.
- 2.4 It should be noted that this was a bi-partisan report, with no dissenting comments.

2.5 In the Report's Introduction the Committee made the following statement:

“Revitalisation of the Australian coastal shipping sector begins with regulatory reform. Coastal shipping in this country is governed by a complex regulatory structure and the Committee has made several recommendations intended to harmonise shipping policy and regulation. Growth in the sector will be further enhanced by incentives such as the introduction of an optional tonnage tax and accelerated depreciation. Strong action on the part of all maritime stakeholders is required to abate the skills crisis, but government can assist and it is the Committee's recommendation that Australia's tonnage tax regime be linked to mandatory training requirements.”

2.6 The 5 shipping reform Bills currently before the Parliament deliver on precisely those principles – reform of the regulatory arrangements as provided in the Coastal Trading (Revitalising Australian Shipping) Bill 2012, Coastal Trading (Revitalising Australian Shipping) (Consequential Amendments and Transitional Provisions) Bill 2012 and Shipping Registration Amendment (Australian International Shipping Register) Bill 2012; and taxation incentives including a mandatory training obligation are provided in the Shipping Reform (Tax Incentives) Bill 2012 and Tax Laws Amendment (Shipping Reform) Bill 2012.

2.7 In the intervening period between the tabling of the Report in October 2008 and the introduction of the Bills into the Parliament in March 2012, a period of nearly 2 ½ years, the Minister established a Shipping Policy Advisory Group (SPAG) which brought together key individuals with operational expertise from all facets of the industry to examine and advise on the House of Representatives Committee Report. The SPAG met on 3 occasions over the period February to May 2009. The National Secretary of the MUA, Paddy Crumlin was one of the industry participants on the Advisory Group, selected we understand for his expert knowledge of international shipping arising from his work on the International Bargaining Forum, which negotiates with the Asian and European shipowners on a global collective agreement for the shipping industry, known as the IBF Collective Agreement.

2.8 The SPAG deliberations provided the then Department of Infrastructure, Transport, Regional Development and Local Government with detailed advice on the commercial, competitive and practical operations of the Australian and international shipping industry to assist them in translating the Committee Recommendations into a cohesive package of policy reforms.

2.9 During the period May 2009 until the Federal election announcement in August 2010 where the Government committed to proceed with legislative reform of the Australian shipping industry if re-elected, Minister Albanese made several speeches identifying key details of the Government's objectives for shipping reform. These speeches enabled the MUA to develop its own analysis on the key features of a legislative package if Australian shipping is to be revitalised and be competitive. In addition, the MUA was able to meet bilaterally with Departmental and Treasury officials to put its views on aspects of shipping reform. We are aware that many other stakeholders also conferred regularly with the Department of Infrastructure and Transport.

- 2.10 The work of the SPAG, consultation with the Department and presumably the Department's own independent research resulted in the Government issuing a detailed Discussion Paper entitled *Reforming Australia's Shipping* on 1 December 2010. That Discussion Paper laid out a detailed plan for revitalising Australian shipping, and again, an analysis of the policy and the Bills shows a very close correlation.
- 2.11 The MUA, along with many stakeholders, made detailed submissions in response to the Discussion Paper. These were, in the main, public documents, enabling stakeholders to appreciate the differing emphases and priorities of the different sectors of the industry that will be impacted by shipping reform – shippers, ship owners, ship operators, ship brokers, shipping service providers, labour supply companies, the workforce, regulators and administrators.
- 2.12 Following the closing date for submissions on the Discussion Paper, the Minister then established 3 Shipping Reform Reference Groups – one addressing shipping regulation, a second dealing with taxation/financial incentives, and a third examining workforce skills. These Reference Groups were widely representative of every sector of the Australian shipping industry. The Reference Groups deliberated over the period March to June 2011. The work of the Reference Groups was open and transparent, with all stakeholders becoming well aware of the detail of what the legislation would in all likelihood contain. The MUA took up the opportunity to communicate with members of Reference Groups where we were not directly represented, and this was welcomed by Reference Group members.
- 2.13 In August 2011 the Government released a Regulatory Impact Statement on the reforms and in September 2011, the Minister for Infrastructure and Transport launched the shipping reform package, delivering a speech that provided further details on what would be included in the Bills.
- 2.14 The Department also ran two Roundtables in late 2011 and early 2012 where all stakeholders could interact and respond to details of the policy. The MUA took advantage of those opportunities to discuss with other parties the merits of particular policy detail.
- 2.15 In December 2011, the Minister released the first 2 Exposure Draft Bills (the Coastal Trading Bill 2012 and the Coastal Trading (Consequential Amendments and Transitional Provisions) Bill 2012, again enabling the stakeholders to comment on the actual legislative provisions as designed to give effect to the policy that had emerged from preceding policy development processes. The MUA took advantage of this opportunity and made detailed submissions, including taking up the offer from Departmental officials to meet for bi-lateral discussions.
- 2.16 A second batch of Exposure Draft Bills were released in January 2012, including second drafts of the Coastal Trading Bill and Coastal Trading (Consequential Amendments and Transitional Provisions) Bill. Again, the MUA took the opportunity to lodge submissions on those Exposure Draft Bills.
- 2.17 The opportunity for stakeholders such as the MUA to participate in the policy and legislative development of shipping reform has been exhaustive and

comprehensive. The Government and Minister Albanese in particular deserves credit for the design and implementation of the consultation process.

- 2.18 Notwithstanding the quality of the consultations, the MUA acknowledges that there are aspects of the Bills where it would have preferred a different formulation, but realises that in the spectrum of competing interests the Minister has needed to make judgment calls based on the full array of advice he has received. In the circumstances, we have asked the Government to keep under review the operation of the legislation should the Bills pass the Parliament and become law to ensure that they are delivering the intended outcomes.

3. The intention of the Bills - To revitalise the Australian shipping industry

- 3.1 The MUA is satisfied that the design of the package of 5 Bills, which must be viewed as a package and not in isolation of one another, has the potential to stem the decline of the Australian shipping industry and to rebuild and revitalise Australian shipping.
- 3.2 We submit to the Committee that the key to revitalisation of Australian shipping is investment in both replacement and additional chartered or purchased ships and the securing of long term freight contracts that delivers sustainable base loads and therefore more efficient ship utilisation. This combination of investment in modern, fit for purpose ships to suit the Australian sea freight trades, along with the restoration of the primacy of General licensed ships for domestic sea freight trade, will result in significantly improved ship productivity and will deliver competitive freight rates for Australian shippers. When combined with the establishment of an Australian International Shipping Register, which is designed to encourage greater Australian participation in international trade and to leverage economic benefit to Australia from that participation, which will flow back into the domestic shipping market given the integration of domestic and international trade, there is significant multiplier effects from the legislative package. These Bills are the foundation stones to establishment of a maritime cluster in Australia.
- 3.3 It is our submission that the Coastal Trading (Revitalising Australian Shipping) Bill 2012, the Coastal Trading (Revitalising Australian Shipping) (Consequential Amendments and Transitional Provisions) Bill 2012 and the Shipping Registration Amendment (Australian International Shipping Register) Bill 2012, taken as a package, establish an appropriate regulatory framework for increased Australian participation in both the domestic freight market and international freight market, and will deliver significant economic benefit for Australia.
- 3.4 The Shipping Reform (Tax Incentives) Bill 2012 and the Tax Laws Amendment (Shipping Reform) Bill 2012 provide the fiscal incentives to complement the new regulatory environment to create a positive investment climate. Ship operational costs will be substantially reduced by the operation of these Bills, and astute financial management by ship owners, charterers and operators will ensure that Australian ships remain competitive in both the domestic freight market and international freight market. Australian manufacturing supply chains in particular will be greatly advantaged by the package.

- 3.5 An important initiative taken by the Government has been the establishment of the Maritime Workforce Development Forum from 1 January 2012. This Forum is charged with:
- Providing the Minister for Infrastructure and Transport with advice on key strategic issues affecting workforce development in the maritime industry;
 - Making strategic and operational links across the maritime industry and government to progress maritime skills issues; and
 - Acting to implement requests and directions of the Minister on maritime workforce development and skills matters.
- 3.6 The MUA regards the Forum as an important clearing house to garner industry consensus around workforce planning including development of workforce demand predictions, data collection, better coordination of training delivery and advice to Government on resource allocation – all undertaken in full cooperation with the Transport and Logistics Industry Skills Council (TLISC) and approved Registered Training Organisations (RTOs). These will all be important outcomes necessary to facilitate implementation of the legislative package if passed and commenced.
- 3.7 Passage of the legislative package, but in particular the Shipping Registration Amendment (Australian International Shipping Register) Bill 2012, will provide for the engagement of non national seafarers for all but 2 positions on ships registered on the International Register. This will provide considerable scope for the engagement, training and employment of seafarers from regional nations such as the Islands of the South West Pacific, including PNG, as well as Timor Leste, under a structured arrangement such as a regional Government to Government partnership agreement that we anticipate will dovetail into Australia's international development assistance (AusAID) programs for those regional nations.
- 3.8 This will have the dual objective of ensuring that labour supply meets demand requirements and providing commercial partnership opportunities for Australian and regional seafarer training institutes. It will also assist in helping Australia meet its regional development objectives in the near region, particularly economic security objectives, through seafarer remittances and establishment of related financial arrangements for managing remittances that will deliver income security to regional seafaring families.
- 3.9 The package of shipping reform Bills cannot be examined in isolation of other complementary maritime reforms also underway. For example, the Government has released an Exposure Draft Navigation Bill to streamline general maritime safety regulation and to efficiently apply Australia's commitment to a number of core International Maritime Organisation (IMO) and International Labour Organisation (ILO) Conventions. It has also released for comment an Exposure Draft of the Marine Safety (Domestic Commercial Vessels) National Law Bill which will establish a single national maritime safety regulator framework under one national legislative framework.
- 3.10 In parallel with these legislative reforms, subordinate legislation (in the form of Marine Orders and the National Standard for Commercial Vessels) which

regulate seafarer qualifications and occupational licensing, are being reviewed.

- 3.11 There are three key purposes to these reviews, which are all strongly supported by the MUA. First, to give effect to 2010 amendments to the IMO International Convention on Standards of Training, Certification and Watch-keeping (STCW) for Seafarers, known as the Manila amendments; second to create integrated pathways for seafarers from the low risk small vessel sector to the higher risk international ocean going sector of the industry; and third, to provide greater flexibility in the way seafarers are able to train and gain the necessary experience and sea time to obtain and maintain qualifications and occupational licenses, thus reducing the costs and complexity of training for the industry. We are supportive of these reforms provided they are not used as a vehicle to reduce standards or to deskill core maritime occupations.

4. Conclusion

- 4.1 The MUA supports the Bills and urges the Committee to recommend that they be expeditiously passed by the Parliament so the resulting legislation can commence on 1 July 2012.
- 4.2 The industry is in terminal decline and without this legislation the Australian shipping industry will wither and disappear, with severe economic including employment, regulatory, safety, supply chain, national security, Defence and environmental implications.
- 4.3 We urge the Committee to recommend to the Government that it keep under review the operation of the legislation should the Bills pass the Parliament and become law to ensure that they are delivering the intended outcomes.