

Ai GROUP SUBMISSION

The increasing use of so-called
Flag of Convenience shipping in
Australia

**Rural and Regional Affairs and
Transport References Committee**

21 September 2015



Ai Group Submission – The increasing use of so-called Flag of Convenience shipping in Australia

About Australian Industry Group

The Australian Industry Group (Ai Group) is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing, engineering, construction, automotive, food, transport, information technology, telecommunications, call centres, labour hire, printing, defence, mining equipment and supplies, airlines, health and other industries. The businesses which we represent employ more than one million people. Ai Group members operate small, medium and large businesses across a range of industries. Ai Group is closely affiliated with many other employer groups and directly manages a number of those organisations.

Australian Industry Group contact for this submission

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Ai Group welcomes the invitation to make submissions to the Rural and Regional Affairs and Transport References Committee (**Committee**) with respect to its inquiry into the increasing use of so-called Flag of Convenience shipping in Australia (**Inquiry**).

The terms of reference to the Inquiry requires the Committee to consider a number of matters, including (but not limited to):

- The effect of so-called Flag of Convenience shipping on Australia’s minimum law standards;
- The employment and possible exposure to exploitation and corruption of international seafarers on Flag of Convenience ships;
- Discrepancies between legal remedies available to international seafarers in state and territory jurisdictions, opportunities for harmonisation, and the quality of shore-based welfare for seafarers working in Australian waters; and
- Economic benefit of the movement of domestic cargo on Flag of Convenience ships.

Ai Group represents numerous Australian companies which are extensive users of coastal shipping to transport raw materials, components and finished products between Australian ports. These companies need access to sea transportation at reasonable prices in order to remain competitive and productive.

The Australian companies which are users of coastal shipping need access to sea transportation at reasonable prices in order to:

- Enable them to remain competitive and productive;
- Preserve employment in the industries which use coastal shipping;
- Avoid increased congestion and higher maintenance costs on Australia’s road and rail networks;
- Avoid increasing Australia’s greenhouse gas emissions as a result of replacing shipping with more carbon-intensive forms of transportation.

The matters canvassed by this inquiry cross over with another inquiry by the Rural and Regional Affairs and Transport Legislation Committee into the *Shipping Legislation Amendment Bill 2015 (Bill)* which proposes significant and important changes to the licensing system of foreign ships for the purpose of shipping domestic cargo around Australia. Ai Group has filed a detailed submission to the Committee inquiring into the Bill.

The Bill addresses concerns of Australian businesses that shipping of domestic product between Australian ports has become uncompetitive and restrictive. The current regime, regulated by the *Coastal Trading (Revitalising Australian Shipping) Act 2012* has led to significant increases in shipping costs to Australian companies and a reliance on road transport and rail in circumstances where these forms of transport are less expensive and more accessible to the end user.

The Bill will increase access of Australian businesses to the services of foreign ships capable of transporting domestic cargo. This will increase the flexibility in the coastal shipping trade. It will provide important economic benefits to the Australian economy and allow for greater movement of Australian domestic cargo, particularly in parts of Australia where road and rail networks are not practicable, such as Tasmania.

Our submission with respect to the Bill is relevant for this Committee’s consideration of the use of ‘Flag of Convenience’ shipping in Australia. Our submission is **attached**.

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