

## National challenges

- 4.1 Revitalising the Australian coastal shipping industry is a national challenge which will ultimately require national strategies articulated and pursued by the Commonwealth Government but supported by cooperation between industry, the Commonwealth, states and the Northern Territory.
- 4.2 This chapter focuses on two national challenges which will need to be addressed as coastal shipping reform moves forward:
- national port development strategies; and
  - national maritime training and skills shortage issues.

### **National port development plan**

- 4.3 Although not formally part of the Committee's terms of reference, port infrastructure issues have been discussed throughout the course of the inquiry. The focus of these discussions has been on the ability of ports to respond to an increase in coastal shipping activity. In regards to berthing space availability, each port in Australia poses a different set of circumstances that must be considered on a port-by-port basis; however, Ports Australia indicated that, in general, ports in Australia will be able to handle increased coastal shipping traffic.<sup>1</sup> This view corresponds with informal discussions the Committee has had with port representatives around the country but the Committee

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1 Mr David Anderson, *Transcript 17 April 2008*, p. 71.

notes that berthing availability for coastal shipping depends on the kind of berth being used. Fremantle Ports has indicated that without greater funding to expand general cargo berths, coastal shipping services will need to be handled at container terminals where they must interact with the needs of international container shipping.<sup>2</sup>

- 4.4 The Committee discussed this issue with Mr Anthony O'Hare, an Australian entrepreneur who is about to start a coastal shipping container service between Sydney and Fremantle. When asked if he had any concern about berth availability, he advised the Committee that:

We have in fact a negotiation between us and DB Ports and Patricks, and whoever comes up with the best deal will get it. It has not been a problem. As long as we end up with a negotiation we shall be using the main container terminals that are currently used by the international carriers. So we will become just another operator [with a long-term lease]...

- 4.5 ANL Container Line also expressed concern that there is a need to address the 'lack of a cohesive national port development plan so as to provide greater access to shipping berths in major Australian ports'.<sup>3</sup> The Committee is of the view that berth availability will become an even greater issue of concern should there be an increase in dedicated Australian coastal shipping services. If that is the case, future port planning and funding will need to account for an increased demand for berth availability.
- 4.6 Similarly, the Committee is aware that a port's landside infrastructure must also be capable of handling an increase in coastal shipping services. Federally, the Auslink program does provide funding for road and rail infrastructure leading into ports. Direct federal funding beyond the port gate has not occurred in the past because most ports are state owned and/or run as commercial enterprises. Should the Commonwealth choose to fund port infrastructure, it would need to be on the basis that the funding was in the national interest.
- 4.7 Submitters to this inquiry have argued that port infrastructure funding is in the national interest and should be funded in much the same way as roads and rail are through Auslink.<sup>4</sup> This Committee's

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2 Fremantle Ports, *Submission No. 7*, p. 2.

3 ANL Container Line Pty. Ltd., *Submission No. 38*, p. 8.

4 ASA, *Submission No. 29*, p. 2 & 30.

predecessor agreed, recommending in its report, *The Great Freight Task*, that:

...a “Critical Port Infrastructure Fund” should be established to urgently provide funding assistance for the construction of vital infrastructure projects costing up to \$150 million. This fund would be in addition to AusLink and separate from it. It would not, of course, cover projects already being funded from other sources.

...this fund should be not less than \$600 million a year over a five year program, on the basis of 50/50 participation with either State or private providers.

...a Critical Port Infrastructure Commission [be established] to administer the Critical Port Infrastructure Fund recommended above.<sup>5</sup>

- 4.8 The current government is considering national infrastructure priorities through the newly created Infrastructure Australia, which is conducting an audit of nationally significant infrastructure.<sup>6</sup> Infrastructure Australia has been tasked with providing to the Council of Australian Governments an Infrastructure Priority List by March 2009.
- 4.9 Port infrastructure is of national significance. Therefore, the Committee recommends that Infrastructure Australia create a national port development plan to address current and potential capacity constraints in Australia’s ports. This plan would then be used to direct funding to critical port infrastructure projects – not only to address Australia’s export capacity but also its ability to respond to a potential growth in coastal shipping.

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5 The House of Representatives Standing Committee on Transport and Regional Services, *The Great Freight Task*, Recommendations 5-7.

6 For more information on Infrastructure Australia see <http://www.infrastructure.gov.au/departments/infrastructureaustralia/>.

## Recommendation 9

- 4.10 **The Committee recommends that Infrastructure Australia create a national port development plan to address current and potential capacity constraints in Australia's ports. This plan would then be used to direct funding to critical port infrastructure projects – not only to address Australia's export capacity but also its ability to respond to a potential growth in coastal shipping**

## Maritime training and skills shortages

- 4.11 Shippers, ship owners and unions have all voiced concern about the lack of a skilled maritime workforce in Australia. The shortage has been described as reaching 'a critical point and is undoubtedly the biggest issue facing the industry today'<sup>7</sup> but a paucity of comprehensive data has made it difficult to identify the magnitude and nature of the shortages and the affected sectors.<sup>8</sup> DEEWR is currently conducting a demand analysis survey of the industry, intended to answer these questions.
- 4.12 Despite a lack of clear data, evidence provided to the Committee does suggest that a sizeable number of potential students each year show interest in receiving maritime training – the ASA has advised that its members receive in excess of four hundred applications annually.<sup>9</sup> The challenge is not necessarily in attracting potential students but in the following:
- selecting those who are most suitable;
  - the cost of training; the lack of training berths;
  - the time required to train; training package structures;
  - a shortage of trainers; and

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7 ASP Ship Management, *Submission No. 40*, p. 4.

8 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No. 19*, p. 13.

9 ASA, *Submission No. 29*, p. 44.

- the retention of trained maritime labour.<sup>10</sup>
- 4.13 Evidence presented to the Committee regarding the maritime skills shortage and associated training issues can be grouped under three key headings:
- attracting and recruiting new seafarers;
  - the training and certification of seafarers; and
  - the retention of qualified seafarers.

### Attracting and recruiting new seafarers

- 4.14 There is a critical shortage of seafarers in Australia and worldwide. By the year 2010, there will be a shortage of approximately two thousand seafarers in Australia.<sup>11</sup> Some have argued that there is a lack of interest in maritime careers,<sup>12</sup> yet others have pointed out that there is a relatively high number of unsolicited applicants each year wishing to go to sea, which would indicate a level of interest in seafaring as a career.<sup>13</sup>
- 4.15 Nevertheless, some problems have been identified in attracting people to the maritime sector. The sector may suffer from a lack of visibility as it is not often a sector of choice for those entering the workforce. There may be a perception that the work environment is unattractive and male dominated<sup>14</sup> – the Committee was particularly interested in the participation of women in the maritime workforce. It was advised that the current industrial framework – required seetime qualifications, availability of cadetships and maternity provisions – ‘makes it very difficult for women to enter the maritime industry’ but more women will be attracted to maritime professions once changes within the industry occur.<sup>15</sup>
- 4.16 The selection of suitable cadet/traineeship candidates is also a challenge and the introduction of “familiarisation trips” for possible

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10 Discussions on these issues can be found in several submissions including, ASA, *Submission No. 29*, pp. 43-52; ASP Ship Management, *Submission No. 40*, p. 4; WA Training Centre Fremantle-Challenger TAFE, *Submission No. 17*, pp. 2-5.

11 ASA, Presentation to the MTPC Maritime skills, shortages and training forum, *Exhibit No. 19*, p. 2.

12 Mr David Harrod, *Transcript 8 May 2008*, p. 5.

13 ASA, *Submission No. 29*, p. 44.

14 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No. 19*, pp. 5 & 9.

15 Mr Don Figliomeni, *Transcript 17 April 2008*, p. 66.

recruits by some companies is an innovative way of assessing a candidate's suitability for life at sea. Early detection of suitability also provides an opportunity for those who are not interested in going to sea to explore other job opportunities in the maritime industry.

- 4.17 New marketing strategies properly targeted, communicated and undertaken on an industry-wide level may assist in overcoming these problems. The Committee is aware that these issues continue to be discussed by industry stakeholders and some steps have been undertaken. The ASA, for example, has developed a "Careers at Sea" website and an online application system called SeaRecruit designed to be a single point of contact for people pursuing a career at sea and in the maritime industry.<sup>16</sup> Cooperative approaches by industry stakeholders to the attraction and recruitment of seafarers is key if the skills shortage is to be addressed. If new strategies are implemented and the interest level of potential recruits remains high then the first hurdle in addressing the skills crisis will have been overcome.

## Training and certification of seafarers

- 4.18 As the industry works towards attracting and recruiting more candidates for maritime employment, training and certification issues must be addressed in order to provide a comprehensive response to the skills crisis.

### The current system

- 4.19 Before addressing some of the key issues involved with the training and certification of seafarers in Australia, it is worthwhile to briefly outline the structures under which training and certification occur in this country.
- 4.20 Australia is party to the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW Convention) which has established agreed international standards of training and certification for seafarers that generally apply to large trading ships.<sup>17</sup> Under Australian law, Australia is obliged to implement the standards laid out in the STCW Convention as it sees fit.<sup>18</sup> AMSA is the Australian authority required to certify that

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16 Careers at Sea website, <http://www.careersatsea.com.au/>, accessed 18 August 2008; and ASA, Submission No. 29, p. 44.

17 AMSA, *Attachment C, Supplementary Submission 15.1*, p. 1.

18 Mr Kinsley Waterhouse, *Transcript 8 May 2008*, p. 31.

Australian certificates of competency meet the STCW Convention requirements. This requires regular auditing of Australian Registered Training Organisations (RTOs) by AMSA.<sup>19</sup>

- 4.21 In addition to international training and certification standards, states and the Northern Territory have their own standards for smaller vessels, which adhere to the National Standard for Commercial Vessels, Part D, *Crew Competencies*; however, state or territory qualifications do not generally meet the full range of competencies required by AMSA under the STCW Convention.<sup>20</sup> Holder of state or territory qualifications who want to serve on larger vessels are therefore required to undertake additional training in order to obtain an endorsement from AMSA. This situation is further complicated by the fact that an AMSA endorsement is subject to the same conditions or limitations as the state or territory qualification. For example:

...a State or Territory qualification restricting the holder to service on vessels on near-coastal voyages will only receive an [AMSA] STCW Convention endorsement restricted to vessels on near-coastal voyages.<sup>21</sup>

- 4.22 Furthermore, the standards set by the National Standard for Commercial Vessels vary from state to state and not all states have adopted the standards.<sup>22</sup> This has added an extra layer of complexity for training institutions and has created problems for people moving between states.<sup>23</sup>
- 4.23 There is also a Maritime Industry Training Package developed and endorsed by the Transport and Logistics Industry Skills Council.<sup>24</sup> The Maritime Industry Training Package (MITP) was implemented in 2001 and has been approved by federal, state and territory authorities.<sup>25</sup> It is a competency based system which sets out the jobs ranked in complexity from level 1 to level 8:

A level 1 is more or less digging holes, a level 3 is a competent tradesman and a level 8 is a degree.<sup>26</sup>

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19 AMSA, *Attachment C, Supplementary Submission 15.1*, p. 1.

20 AMSA, *Attachment C, Supplementary Submission 15.1*, p. 3.

21 AMSA, *Attachment C, Supplementary Submission 15.1*, p. 3.

22 Mr Kinsley Waterhouse, *Transcript 8 May 2008*, p. 32.

23 Mr Kinsley Waterhouse, *Transcript 8 May 2008*, p. 32.

24 AMSA, *Attachment C, Supplementary Submission 15.1*, p. 4.

25 AMSA, *Attachment C, Supplementary Submission 15.1*, p. 4.

26 Mr Kinsley Waterhouse, *Transcript 8 May 2008*, p. 32.

- 4.24 This is the environment in which students are trained and certified in maritime skills. It has several layers and while the Committee has received evidence suggesting that the industry is working towards harmonising these layers, other evidence provided to the Committee suggests that the harmonisation process still has some way to go.

### Moving forward

- 4.25 AMSA has been working towards achieving greater harmonisation of training structures and the introduction of new training methods through efforts to support the recognition of prior learning and current competency, involvement in measures to integrate state and NT seafarer training systems with international training and certification standards and involvement in distance education and support for the use of ship simulators.<sup>27</sup>
- 4.26 Despite AMSA's efforts, the process of structural reform is moving slowly and perhaps not as comprehensively as it could be. Issues raised during this inquiry and in other forums suggest that there is still scope for greater change.

### Seatime

- 4.27 The question of seatime requirements for deck and engineer officers is a good example. The ASA has argued that the seatime requirement for deck and engineer officers to obtain Australian certificates is longer than the seatime required under the STCW Convention.<sup>28</sup> A recent workshop examination of the issue of seatime has surmised that 'the validity of seatime is questionable'<sup>29</sup> as the quality of the onboard training experience is variable and often depends on the time constraints of officers providing the training. Some view the seatime requirements as a bastion of the past which, in its current form, is a 'bottleneck in the system.'<sup>30</sup>
- 4.28 Seatime is still considered a valuable and important component of a seafarer's training and should not be done away with; rather, it is argued that alternate approaches should be considered as a means of reducing the time requirement. These might include the greater use of simulators as a partial substitute for seatime, and greater use of

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27 AMSA, *Attachment C, Supplementary Submission 15.1*.

28 ASA, *Submission No. 29*, pp. 45-46.

29 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No.19*, pp. 6-7.

30 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No. 19*, pp. 6-7.



onboard distance education – both of which are being explored by AMSA.<sup>31</sup>

- 4.29 There may also be scope to adjust seetime training requirements based on specific skill sets for specific operations.<sup>32</sup> The ASA has noted the example of the towage sector which currently relies on the bluewater sector to train its seafarers because seetime can only be obtained on larger, ocean-going ships. If tug operators could achieve their seetime requirements on brownwater vessels rather than bluewater vessels, then the burden of training could be spread more evenly across the industry and help ease the bottlenecks created by bluewater seetime requirements.<sup>33</sup>

#### Competency based training

- 4.30 Competency based training was another issue raised during Committee discussions and does relate, in part, to the issue of seetime requirements for officer training.
- 4.31 It was suggested that the training of seafarers needs to be competency based.<sup>34</sup> This caused some confusion for the Committee as it was aware that the MITP is competency based. The MUA, however, pointed out that there is a distinction between competency based officer training and competency based training for integrated ratings.
- 4.32 Competency based training for integrated ratings under the MITP should be relatively easy to apply because ‘ratings are roughly the equivalent of a tradesperson’.<sup>35</sup> For officers, traditional seetime requirements and other training structures make the implementations of competency based training more challenging, which may explain arguments for the introduction of more competency based training.
- 4.33 Furthermore, the Committee was advised that there is a need for a restructured MITP. At least one training provider believes that a restructured package should address current inadequacies in the MITP structure, evidence guide and range statements.<sup>36</sup> When the Committee queried the Department of Education, Employment and

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31 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No. 19*, p. 7.

32 ASA, *Submission No. 29*, p. 48.

33 ASA, *Submission No. 29*, p. 48.

34 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No. 19*, p. 11.

35 Mr Paddy Crumlin, *Transcript 16 May 2008*, p. 28.

36 WA Maritime Training Centre Fremantle, *Submission No. 17*, p. 5.

Workplace Relations (DEEWR) about MITP inadequacies, it was informed that DEEWR was unaware:

It has not been flagged with us at all. In fact, anecdotally, the work that we do with different parts of the sector, including the registered training organisations who are delivering training in the sector, suggests that the response to the training package has been overwhelmingly positive.<sup>37</sup>

4.34 Clearly, introduction of the MITP is causing problems in some areas.

#### Recognition of prior learning

4.35 The speed with which both officers and integrated ratings can gain qualifications can be further increased through recognition of prior learning (RPL) and skills.

4.36 It has been argued that, at present, there is a 'lack of recognition of prior learning/skills'<sup>38</sup> and that there is 'a separation between people with fishing qualifications and people with training qualifications'.<sup>39</sup> There have been suggestions that what is required is a nationally harmonised framework rather than a federal-state framework so that:

...the person who starts at sea begins as a deckhand or coxswain and can then work his way through to master 1 seamlessly, so there is not the disparity where you get to one point and you are not recognised to get to the next stage.<sup>40</sup>

4.37 If RPL could be used to assist people in upgrading of skills more easily, then you could move people around the industry with greater ease thereby relieving some of the skills shortages.<sup>41</sup>

4.38 The Committee pursued questions relating to RPL in the industry on several occasions as it is aware that 'mutual recognition is a major part of the Australian training framework'.<sup>42</sup> The Committee was advised that RPL was problematic in the past as AMSA has been very reluctant to recognise it; however, the Committee understands that this is changing. AMSA has:

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37 Mr Patrick Cremen, *Transcript 15 May 2008*, p. 7.

38 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No. 19*, p. 6.

39 Mr David Harrod, *Transcript 8 May 2008*, pp. 9-10.

40 Captain Allan Gray, *Transcript 8 May 2008*, pp. 48-49.

41 Captain Allan Gray, *Transcript 8 May 2008*, pp. 48-49.

42 Mr Brett Raguse MP, *Transcript 8 May 2008*, p. 30.

...started to talk about skills recognition, whereas before their audit the requirement would be for us to prove to them that a person sat in that class for 10 hours, 10 weeks or whatever. That attendance requirement or participation requirement was an audit factor. That is only just starting to loosen up. I must admit we are increasing our ability to recognise skills.<sup>43</sup>

- 4.39 The Committee is also aware the RPL is being applied to marine engineer courses where 'a trade entrant can become a marine engineer in about 15 months because he gets recognition of prior learning'.<sup>44</sup>

#### Defence/civilian cooperation

- 4.40 Discussions surrounding RPL led the Committee to inquire as to the transferability of skills between the Navy and the civilian maritime industry. It was advised that:

...there is not a big transfer of Navy personnel into commercial shipping because they do not end up with STCW qualifications that are recognisable by AMSA. They have to go and do a whole bunch of things before they are actually considered, for example, for an integrated rating to sail on an Australian vessel.<sup>45</sup>

- 4.41 The AMDC established a joint Industry-Defence working group in March 2007 to assess issues and opportunities for Defence and civilian maritime industry collaboration in providing solutions to the growing skills crisis which is affecting the Navy as well.<sup>46</sup> A scoping report was released in September 2007 that highlighted some of the challenges facing both the defence and civilian maritime sector.
- 4.42 It would appear that there is growing recognition of the 'mutual benefit in cross-sector collaboration' and some work on recognition of RAN training is addressing mobility between RAN and the civilian sector<sup>47</sup> – for example, Hunter TAFE is currently involved in providing RPL for Australian Defence Industry staff<sup>48</sup> – but progress is slow. This is due to 'the myriad of conflicting state and

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43 Ms Raewyn Menzies, *Transcript 8 May 2008*, p. 30.

44 Henning Christiansen, *Transcript 15 May 2008*, p. 39.

45 Mr Paddy Crumlin, *Transcript 16 May 2008*, p. 29.

46 Department of Defence, *Submission No. 50*, p. 7.

47 Department of Defence, *Submission No. 50*, p. 9.

48 Hunter TAFE, *Submission No. 33*, p. 10.

commonwealth regulatory differences<sup>49</sup> but also a culture within the maritime industry which is resistant to change:

In addressing common maritime personnel qualification issues, it was clear that the keys to resolution involved challenging time-honoured, but perhaps inappropriate, cultural idiosyncrasies, closely re-examining some of the required experiential factors and approaching mutual challenges from a joint perspective.<sup>50</sup>

4.43 The Department of Defence stresses that labour mobility must be two-way and while there has been significant work to facilitate transition of seaman and engineering personnel from the RAN to the civilian marine sector:

- it is not yet comprehensive and institutionalised;
- it may not yet be applicable to all civilian maritime sub-sectors; and
- there is little evidence of the process working in reverse i.e., to facilitate civilian entry or lateral recruiting into the RAN.<sup>51</sup>

4.44 The AMDC has an action plan intended to address the need to facilitate greater communication between civilian and military mariners in order to overcome some of these issues. The plan includes:

- personnel exchange and sea-riding programs (two-way); and
- lateral recruiting programs where people can work in the Navy then leave but have the opportunity to come back at a later date having not lost seniority.<sup>52</sup>

4.45 Better communication between civilian and military mariners is important but the speed with which this is occurring is of concern to the Committee. The skills crisis will not abate and neither the Navy nor the maritime industry can afford to spend long periods of time simply getting to know each other. Collaborative efforts are essential but will only work if there is real commitment by both parties to undertake new and innovative solutions so that Navy and industry maritime qualifications can be harmonised.

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49 Department of Defence, *Submission No. 50*, p. 9.

50 Department of Defence, *Submission No. 50*, p. 9.

51 Department of Defence, *Submission No. 50*, p. 9.

52 Department of Defence, *Submission No. 50*, p. 9; Commander Robert Spencer, *Transcript 16 May 2008*, p. 68.

## A national approach

- 4.46 Evidence received by the Committee regarding the training and the skills shortage indicates that ‘cultural idiosyncrasies’ amongst the industry are exacerbating the problem. Clearly there are:
- ...pockets of well-intentioned, maritime-related groups all over the country tackling similar people/skills gap issues in their own, independent way to resolve what they perceive as their apparently-unique, parochial issues.<sup>53</sup>
- 4.47 In reviewing the evidence and speaking with maritime stakeholders about the issues discussed in this section, the Committee is firmly of the view that the maritime training and certification processes in Australia require further harmonisation and innovative reform; completed in a timely manner. This would be best done by one national maritime training authority, whose responsibilities and powers would be negotiated and agreed upon by the states, Northern Territory and the Commonwealth.
- 4.48 It may be AMSA that is best positioned to undertake this role; however, be it through the empowerment of an existing agency or the creation of a new authority, the Committee recommends that a national maritime training authority undertake the following:
- creation of a unified training system that:
    - ⇒ embraces new training methods;
    - ⇒ harmonises international, national and industry specific training and certification requirements; and
    - ⇒ is agreed upon and implemented nationwide.<sup>54</sup>

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53 Department of Defence, *Submission No. 50*, p. 9.

54 For example see, Mr David Harrod, *Transcript 8 May 2008*, pp. 9-10. & WA Maritime Training Centre Fremantle, *Submission No. 17*, p. 5.

## Recommendation 10

- 4.49 **The Committee recommends that one national maritime training authority be created, whose responsibilities and powers would be negotiated and agreed upon by the states, Northern Territory and the Commonwealth.**

**The Committee recommends that a new training authority undertake the following:**

- **creation of a unified training system that:**
  - ⇒ **embraces new training methods;**
  - ⇒ **harmonises international, national and industry specific training and certification requirements; and**
  - ⇒ **is agreed upon and implemented nationwide.**

- 4.50 To ensure greater transferability of skills between the RAN and the maritime industry, joint training and re-training strategies need to be developed in consultation between Defence and the maritime industry. A national maritime training authority would be uniquely placed to progress and implement joint strategies designed to allow for greater transfer of personnel between the RAN and the civilian industry.

## Recommendation 11

- 4.51 **The Committee recommends that a new training authority also progress and implement joint strategies designed to allow for greater transfer of personnel between the Royal Australian Navy and the civilian maritime industry.**

### Training costs

- 4.52 The industry's reliance on the bluewater sector to train its officers and integrated ratings is also of concern because that industry's capacity and willingness to do so has diminished. A reduction in the size of Australia's shipping fleet has meant a reduction in the amount of

training berths available. Of even greater concern is the cost of training, which is borne primarily by the bluewater sector when many seafarers, upon completion of their training, move on to other sectors of the maritime industry:

...the key trainer of the industry historically, over many decades, has gone on strike because they just see their investment being – in terms of their delivery to their shareholders – wasted because they lose it as soon as the people walk out the door... until all the people who use certificates are required to make a contribution to the training effort the training will not be resuscitated.<sup>55</sup>

- 4.53 It costs approximately \$150,000 to train a single deck or engineering watchkeeper and approximately \$75,000 to train integrated ratings. A further \$100,000 to \$150,000 is required to train watchkeepers to occupy more senior positions.<sup>56</sup> This cost burden is not spread widely throughout the industry. A small sector comprised of shipping and management companies provides the required training while the wider industry (offshore sector, government authorities, educators, port authorities and shore based management) benefits.<sup>57</sup>
- 4.54 Of those organisations that do not train seafarers, some are unable because they do not have suitable vessels to 'facilitate the mandatory sea time component associated with obtaining sea going qualifications'.<sup>58</sup> Others choose not to train and instead 'focus their operations on luring valuable employees',<sup>59</sup> often with the promise of very high wages.<sup>60</sup>
- 4.55 In the past, the training cost burden was spread more evenly. The *Cadet Grant Levy Scheme*, terminated twelve years ago, was 'a compulsory training levy on the major users of trained seafarers to pay for the training of new entrants'.<sup>61</sup> Some inquiry participants have recommended the reintroduction of an industry wide levy,<sup>62</sup> while

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55 Mr Martin Byrne, *Transcript 15 May 2008*, p. 38.

56 ASP Ship Management, *Submission No. 40*, p. 4.

57 ASP Ship Management, *Submission No. 40*, p. 4.

58 ASP Ship Management, *Submission No. 40*, p. 4.

59 ASP Ship Management, *Submission No. 40*, p. 4.

60 AIMPE, *Submission No. 52*, p. 7.

61 AIMPE, *Submission No. 52*, p. 10.

62 See for example, Professor Barrie Lewarn, *Transcript 29 April 2008*, p. 10; AIMPE, *Submission No. 52*, p. 13.

others would not support a mandatory levy if it increased the cost of doing business.<sup>63</sup>

- 4.56 Outcomes of a recently held maritime skills, shortages and training forum have indicated several possible solutions which include:
- government paying for all seafarer training;
  - establishment of an industry training fund (either compulsory or voluntary levy scheme);
  - students pay for academic component of training; and
  - introduction of new policy setting which make it attractive to train (tonnage tax).<sup>64</sup>
- 4.57 Some inquiry participants were not supportive of the reintroduction of a compulsory training levy on the basis that the introduction of a tonnage tax was a better way to provide incentives and assistance for people to recruit seafarers.<sup>65</sup>
- 4.58 The Committee agrees, and has supported the introduction of an optional tonnage tax linked to mandatory training requirements, in Recommendation 6 of this report.

#### A training vessel

- 4.59 The burden of seetime training costs may also be partially alleviated by the use of training ships. The use of dedicated training facilities has been successful in other industries – for example the tourism and hospitality industry – and the Committee is aware that other countries utilise training vessels.
- 4.60 In the Philippines, maritime colleges have their own training ships<sup>66</sup> and the Evergreen line runs a training ship, which carries cargo between Taiwan and Japan.<sup>67</sup> In Australia, it would appear that the maritime industry has only begun to formally consider the idea. It was discussed at the aforementioned maritime skills, shortages and training forum as an idea worthy of further consideration.<sup>68</sup> Specifically, it was recognised that:

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63 Mr Peter Keyte, *Transcript 21 May 2008*, p. 40.

64 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No. 19*, p. 12.

65 Mr David Harrod, *Transcript 8 May 2008*, p. 6.

66 Mr Stuart Ballantyne, *Transcript 21 May 2008*, p. 8.

67 Captain Allan Gray, *Transcript 8 May 2008*, p. 47.

68 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No. 19*, p. 11.



There are a variety of possible approaches which could be taken including dedicated training vessels and commercial vessels with additional facilities for training.<sup>69</sup>

- 4.61 It has also been suggested that training vessels could have schools on board so that seetime and knowledge could be gained at the same time, an option that could 'compress your course, if not by 50 per cent then probably by 25 to 30 per cent in real terms'.<sup>70</sup>
- 4.62 There is merit in this idea and it should be explored further. Therefore, the Committee recommends that DEEWR begin developing options for the introduction of a national training vessel through formal consultation with the maritime training industry and other relevant stakeholders.

### Recommendation 12

- 4.63 **The Committee recommends that the Department of Education, Employment and Workplace Relations develop options for the introduction of a national training vessel through formal consultation with the maritime training industry and other relevant stakeholders.**

### Retention of qualified seafarers

- 4.64 Implementing innovative solutions for the attraction, recruitment and training of seafarers is vital if the skills crisis is to be adequately addressed, yet these efforts will be ultimately wasted if the industry is not able to retain those seafarers.
- 4.65 The Committee is aware that some retention options have been discussed. They include:
- offering a contract plus bonus (stay two years and receive an extra year's salary);
  - offering a contract with penalties (stay two years or refund the cost of training); and
  - making greater use of fractional employment arrangements.<sup>71</sup>

69 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No. 19*, p. 11.

70 Captain Allan Gray, *Transcript 8 May 2008*, p. 47.

71 MTPC Maritime skills, shortages and training forum synopsis, *Exhibit No. 19*, p. 10.

- 4.66 These options are all worth consideration and it will be up to industry to decide how best to proceed in dealing with staff retention. There is, however, scope for government action in dealing with retention issues.
- 4.67 One of the most consistent recommendations made to this Committee throughout its inquiry has been the need to review the tax treatment of Australian seafarer wages in order to make Australian seafarers competitive with their international counterparts, and reduce loss to overseas employers.<sup>72</sup>
- 4.68 Under section 23 AG of the *Income Tax Assessment Act 1936*, an Australian resident engaged in work in a foreign country is exempt from tax if they have been engaged in that work for no less than ninety-one days. The problem for seafarers is that the ninety-one day test is hard to pass since the high seas are not considered a foreign country. As a result, Australian seafarers, including trainees, must either accept lower salaries (once Australian income tax is paid) or negotiate higher rates than other seafarers – a situation which puts Australian seafarers at a disadvantage.<sup>73</sup>
- 4.69 Section 23 AG relates to international seafarers and one may question its relation to Australian coastal shipping. The connection lies in the current shortage of seafarers in Australia. A tax amendment designed to give advantage to seafarers working overseas could be considered counter-productive, as it may encourage Australian seafarers to enter foreign markets.<sup>74</sup> However, as it currently stands, Section 23 AG impacts on the retention of Australian seafarers and makes the maritime industry less attractive to those considering a career as a seafarer. For example, a seafarer who decides to terminate their residency for tax purposes may not return, and potential trainees who cannot find training berths in overseas vessels (due to the higher wages they would have to be paid) may be dissuaded from entering the industry.
- 4.70 Like many of the issues discussed in this report, Section 23 AG has been previously reviewed and recommendations have been made:

- 2003- IRAS Report:

Conclusion IV: The Review heard very strong evidence that the inconsistent interpretation in Australia of the concept of

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72 ASA, *Submission No. 29*, p. 4.

73 ASA, *Submission No. 29*, p. 49.

74 Mr Martin Byrne, *Transcript 15 May 2008*, p. 40.

employment in a foreign country discriminated against Australians in finding employment in international seafaring trades. Therefore, Section 23AG of the *Income Tax Assessment Act 1936* needs to be reviewed to ensure consistent interpretation of the concept of employment in a foreign country.

■ 2007- Senate Education, Employment and Workplace Relations Committee, *Workforce Challenges in the Transport Industry*:

The committee recommends that section 23AG of the *Income Tax Assessment Act 1936* be reviewed, and the meaning of “foreign service” for income tax purposes be clarified so that Australian seafarers are not disadvantaged in their earnings capacity relative to seafarers of other nations when working on foreign-flagged vessels on the high seas.<sup>75</sup>

4.71 Treasury disagrees with these recommendations. It is of the opinion that their implementation would encourage domestic seafarers to undertake overseas employment, thereby diminishing the maritime skills base in Australia, and establish a false precedent for special treatment.<sup>76</sup> It is also concerned that amending 23 AG ‘could not deliver a consistent outcome’<sup>77</sup>:

The provisions [of 23 AG] are highly technical in nature, and the tax impact difficult to determine other than on a case by case basis.<sup>78</sup>

4.72 Treasury recommends ‘the provision of concessionary outcomes through well-targeted expenditure programs’ rather than through concessionary taxation arrangements.<sup>79</sup>

4.73 The Committee understands Treasury’s concerns. There is always the potential that seafarers will take advantage of favourable tax concessions and leave Australia to work overseas. Nevertheless, overseas work does not appeal to everyone and some of those who choose to work abroad return. The incentive to return may be greater if seafarers have retained their residency but it is not clear what

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75 Senate Education, Employment and Workplace Relations Committee, *Workforce Challenges in the Transport Industry*, August 2007, Recommendation 6.

76 Treasury, *Submission No. 64*, p. 2.

77 Treasury, *Submission No. 64*, p. 2.

78 Treasury, *Submission No. 64*, p. 2.

79 Treasury, *Submission No. 64*, p. 1.

impact non-residency has on an overseas worker's decision making process.

- 4.74 Of greater concern is the need to ensure that a career in the maritime industry is considered an attractive option. In doing so, it is important that there are a suitable amount of training berths available to trainees. Some of those berths are on foreign vessels and Section 23 AG may be creating disincentive for trainees by limiting their access to foreign vessel training berths.<sup>80</sup> The Australian Maritime College has pointed out that it is:

...very difficult, if not impossible, to find foreign flag ship-owners or operators to provide the required opportunities for Australian seafarers. There is currently no incentive to promote this route.<sup>81</sup>

- 4.75 Amending Section 23 AG may provide that incentive. The Government should therefore take into consideration the recommendations of the IRAS and Senate Committee report and review Section 23AG of the *Income Tax Assessment Act 1936* with the intent of clarifying the meaning of foreign service for income tax purposes so that 'Australian seafarers are not disadvantaged in their earnings capacity relative to seafarers of other nations when working on foreign-flagged vessels on the high seas'.<sup>82</sup>

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80 Australian Maritime College, *Submission No. 19*, p. 6.

81 Australian Maritime College, *Submission No. 66*.

82 Senate Education, Employment and Workplace Relations Committee, *Workforce Challenges in the Transport Industry*, August 2007, Recommendation 6.

**Recommendation 13**

- 4.76 **The Senate Education, Employment and Workplace Relations Committee recommended that section 23AG of the *Income Tax Assessment Act 1936* be reviewed, and the meaning of “foreign service” for income tax purposes be clarified so that Australian seafarers are not disadvantaged in their earnings capacity relative to seafarers of other nations when working on foreign-flagged vessels on the high seas.**

**The Committee concurs and also recommends that the Government review Section 23 AG of the *Income Tax Assessment Act 1936* so that Australian seafarers are not disadvantaged in their earnings capacity relative to seafarers of other nations when working on foreign-flagged vessels on the high seas.**