
The Parliament of the Commonwealth of Australia

Rebuilding Australia's Coastal Shipping Industry

Inquiry into coastal shipping policy and regulation

House of Representatives
Standing Committee on Infrastructure, Transport, Regional Development &
Local Government

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Foreword

Australia is a vast island nation with the majority of its population and industry located near the sea. It is of no surprise then that the Australian economy is dependent upon sea trade. Almost all of our export trade is moved by ship and shipping plays a significant role in fulfilling Australia's domestic freight task – carrying 24 per cent of the total freight task in 2004-05. While this is a significant contribution by the shipping industry to the national freight task, it is not a substantial one. There is room for growth in Australia's coastal shipping industry.

The Australian coastal shipping industry has been in decline for some time. In 2005/06, the Australian registered trading fleet consisted of 46 vessels. In 1996, that number stood at 75. Increasingly, foreign vessels have been employed to carry goods around the Australian coast to the detriment of Australia's coastal shipping fleet.

There is a view amongst many in the Australian maritime industry that Australia would benefit from a revived and expanded coastal shipping sector. This process must begin with reform and accordingly, the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government has been tasked with inquiring into coastal shipping policy and regulation in Australia in order to make recommendations on ways to enhance the competitiveness and sustainability of the sector.

The strongest argument for revitalising Australia's coastal shipping industry is an economic one. A strong domestic shipping industry can assist in the alleviation of land transport bottlenecks, infrastructure constraints and environmental impacts, as well as provide economic benefits derived from the creation of local employment and the growth of maritime services. Australian defence, maritime safety and security could also benefit from an expanded coastal shipping sector.

The industry does face some challenges. Shipping must be able to compete with road and rail transport and will therefore need to offer available, reliable, timely service with competitive pricing. Infrastructure constraints, particularly at the

ports, may impact on shipping's competitiveness and a skills shortage throughout the industry has the potential to limit its growth.

The Committee has examined these issues during its inquiry and has put forward a series of recommendations for the Infrastructure, Transport, Regional Development and Local Government Minister to consider.

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.

Coastal shipping reform requires national guidance and national cooperation. It is the Committee's view that reform be implemented, coordinated and monitored by a reform implementation group operating under a restructured Australian Maritime Group. This will ensure that reform is driven at a national level as part of the Council of Australian Governments process.

The revitalisation of our coastal shipping industry has long been a topic for discussion and review. The Committee has been fortunate to have previous studies to draw on and use as a basis for which to advance its own recommendations and is indebted to the many people and organisations that prepared submissions and appeared as witnesses at the Committee's hearings. Many have been engaged in this process for some time and the Committee is hopeful that their input and patience will be rewarded, because a maritime nation such as ours needs a competitive and sustainable coastal shipping industry.

Ms Catherine King MP
Chair



Membership of the Committee

Chair Ms Catherine King MP

Deputy Chair Mr Paul Neville MP

Members Ms Jodie Campbell MP

Mr Darren Cheeseman MP

Mr Jason Clare MP

Mrs Joanna Gash MP

Mrs Sophie Mirabella MP¹

Mr Brett Raguse MP

The Hon Dr Sharman Stone MP

Mr Jon Sullivan MP

¹ Mrs Mirabella was granted leave of absence for maternity reasons from 16 June 2008, could not attend Parliament and could therefore not participate in consideration of this report.

Committee Secretariat

Secretary	Ms Janet Holmes (to 30 June 2008) Mr Richard Selth (from 1 July 2008)
Inquiry Secretary	Mr Michael Crawford
Research Officer	Ms Katie Ellis (to 15 August 2008)
Administrative Officer	Ms Emma Martin (to 11 September 2008) Ms Jazmine Rakic (from 15 September 2008)



Terms of reference

The Committee is to inquire into coastal shipping policy and regulation and make recommendations on ways to enhance the competitiveness and sustainability of the Australian coastal shipping sector.

The Committee's report is to:

1. Outline the nature and characteristics of the Australian shipping industry and the international and coasting trades;
2. Review the policy and regulatory arrangements in place for the coastal shipping sector;
3. Assess strategies for developing an adequate skilled maritime workforce in order to facilitate growth of the Australian coastal shipping sector;
4. Consider the effect of coastal shipping policy on the development of an efficient and productive freight transport system, taking into account issues such as environmental and safety impacts and competitive neutrality between coastal shipping and other modes of transport; and
5. Consider the implications of coastal shipping policy for defence support, maritime safety and security, environmental sustainability and tourism.



List of abbreviations

ACS	Australian Customs Service
ADF	Australian Defence Force
AIMPE	Australian Institute of Marine and Power Engineers
AIRC	Australian Industrial Relations Commission
AMDC	Australian Maritime Defence Council
AMG	Australian Maritime Group
AMSA	Australian Maritime Safety Authority
ASA	Australian Shipowners Association
ASIO	Australian Security Intelligence Organisation
ATC	Australian Transport Council
BITRE	Bureau of Infrastructure, Transport and Regional Economics
BRCWG	Business Regulation and Competition Working Group
COAG	Council of Australian Governments
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSL	Canadian Steamship Lines
CVP	Continuous Voyage Permit
DEEWR	Department of Education, Employment and Workplace Relations
HCDG	High Consequence Dangerous Goods

ILO	International Labour Organization
IMO	International Maritime Organization
IRAS	Independent Review of Australian Shipping
ITRDLG	Department of Infrastructure, Transport, Regional Development and Local Government
MCV	Maritime Crew Visa
MITP	Maritime Industry Training Package
MSIC	Maritime Security Identification Card
MUA	Maritime Union of Australia
NT	Northern Territory
NTC	National Transport Commission
OH&S (MI) Act	Occupational Health & Safety (Maritime Industry) Act
RAN	Royal Australian Navy
RPL	Recognition of Prior Learning
RTOs	Registered Training Organisations
SRC Act	Seafarers Rehabilitation and Compensation Act
STCW Convention	Standards of Training, Certification and Watchkeeping for Seafarers
SVP	Single Voyage Permit
UK	United Kingdom
UNCLOS	United Nations Convention on the Law of the Sea
WR ACT	Workplace Relations Act



List of recommendations

A new policy framework for coastal shipping in this country should include:

- reform of Part VI of the *Navigation Act 1912*, the *Navigation (Coasting Trade) Regulations 2007* and the *Ministerial Guidelines for Granting Licences and Permits to Engage in Australia's Domestic Shipping*;
- the implementation of a single national approach to maritime safety for commercial vessels;
- the introduction of an optional tonnage tax regime in Australia that is linked to mandatory training requirements;
- the re-introduction of accelerated depreciation arrangements;
- a one year review of the Maritime Crew Visa;
- amendments to the *Seafarers' Rehabilitation and Compensation Act 1992* and the *Occupational Health and Safety (Marine Industry) Act 1993*;
- the creation of a national port development plan to address current and potential capacity constraints in Australia's ports;
- the creation of a national maritime training authority and the introduction of a national training vessel;
- a review of Section 23 AG of the *Income Tax Assessment Act 1936*; and
- the creation of a reform implementation group to implement any future Commonwealth Government reforms.

Benefits of a competitive and sustainable coastal shipping sector

Recommendation 1 (page 14)

The Committee recommends that the Australian Commonwealth Scientific and Industrial Research Organisation, in consultation with independent scientists, study and report on the magnitude and location(s) of significant pollution from ship emissions in Australia.

Legislative review and reform

Recommendation 2 (page 34)

The Committee recommends that the Government complete the 2000 review of the *Navigation Act 1912* and then amend Part VI to clarify language in the Act. This will better align coastal shipping legislation with government's policy to foster a viable coastal shipping industry in a competitive domestic transport sector.

Submissions 11.1, 29.2 and 53.1 to this inquiry should be taken under consideration.

This process should be coordinated by the Reform Implementation Group referenced in Recommendation 14 of this report, in order that coastal shipping reform is progressed consistently over established timelines.

Recommendation 3 (page 35)

The Committee recommends that the Government further amend the *Ministerial Guidelines for Granting Licences and Permits to Engage in Australia's Domestic Shipping* to clarify their language and better align the Guidelines with Government policy and any amendments to the Navigation Act and its Regulations.

These processes should be coordinated by the Reform Implementation Group referenced in Recommendation 14 of this report, so that coastal shipping reform is progressed consistently over established timelines. Submissions 11.1, 29.2 and 53.1 to this inquiry should be taken under consideration.

In amending the Ministerial Guidelines, the Committee recommends that the Government consider whether some issues addressed within the Guidelines would be better articulated within the *Navigation (Coasting Trade) Regulations*.

Recommendation 4 (page 37)

The Committee recommends that any amendments to the Navigation Act, its Regulations and Guidelines should take into account Australian Transport Council recommendations regarding the implementation of a single national approach to maritime safety for commercial vessels.

Recommendation 5 (page 41)

The Committee recommends that the Australian Maritime Group examine ways to introduce an optional tonnage tax regime in Australia that is linked to mandatory training requirements.

The introduction of an optional tonnage tax should then be coordinated with the implementation of other reforms recommended in this report by the Reform Implementation Group referenced in Recommendation 14.

Recommendation 6 (page 43)

The Committee recommends the re-introduction of accelerated depreciation arrangements.

The re-introduction of accelerated depreciation arrangements should be coordinated with the implementation of other reforms recommended in this report by the Reform Implementation Group referenced in Recommendation 14.

Recommendation 7 (page 47)

The Committee recommends a one year review of the Maritime Crew Visa be conducted to ensure the program is meeting its objectives.

Recommendation 8 (page 50)

The Committee recommends that the Reform Implementation Group referenced in Recommendation 14 of this report be charged with overseeing further review of the *Seafarers' Rehabilitation and Compensation Act 1992* and the *Occupational Health and Safety (Marine Industry) Act 1993*. This review should be undertaken with the intention of supplementing and updating existing reform recommendations and therefore should be completed expeditiously. Timelines for the review should be set by the Reform Implementation Group and be consistent with its established timelines for the implementation of coastal shipping reform. Both Acts should then be amended.

National challenges

Recommendation 9 (page 56)

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

Recommendation 10 (page 66)

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.

Recommendation 11 (page 66)

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.

Recommendation 12 (page 69)

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.

Recommendation 13 (page 73)

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.

Implementation and oversight

Recommendation 14 (page 82)

The Committee recommends that any future Commonwealth Government reform initiatives be implemented by a reform implementation group which operates under a restructured Australian Maritime Group. A new Australian Maritime Group should comprise representatives from:

- The Department of Infrastructure, Transport, Regional Development and Local Government – including AMSA;
- state governments and the Northern Territory;
- National Transport Commission;
- Transport and Logistics Industry Skills Council;
- Infrastructure Australia;
- a national training authority (as noted in Recommendation 10);
- The Royal Australian Navy (in an advisory capacity); and
- key industry stakeholders such as the Australian Shipowners Association and maritime unions.

A restructured Australian Maritime Group should also retain its current sub-groups in order to advise the Reform Implementation Group on their portfolios.

Specific time-frames and performance milestones should be established for the Reform Implementation Group and reported on by the Bureau of

Infrastructure, Transport and Regional Economics. Once these have been met, the Australian Maritime Group may decide to disband the Reform Implementation Group and continue monitoring performance outcomes through information provided by the Bureau of Infrastructure, Transport and Regional Economics.

The Australian Maritime Group should report regularly to the Australian Transport Council, which, in turn would report on the work of the Reform Implementation Group to COAG.

Shipping in Australia

Introduction

- 1.1 In 1981, Sir John Crawford was appointed chair of a committee tasked with examining ways to revitalise Australian shipping. The Crawford Report made a number of recommendations, many of which were later implemented. Twenty-seven years later, reform of Australian shipping regulation continues and policy is once again being examined. Some of the issues covered by the Crawford Report are still relevant today, others no longer apply. Since 1981, the Australian shipping industry has addressed various industrial issues. Evidence before the Committee showed that flexibility and cooperation in the labour market has been and will continue to be an important ingredient in the development of a larger Australian registered coastal shipping fleet.¹ The Committee is encouraged that constructive engagement between maritime unions and industry continues, because there is more work to be done.

Yet the question of how to revitalise Australian shipping remains. In addition to labour issues, challenges such as skill shortages in the maritime industry, shipping's competitiveness with road and rail and, to a certain extent, international forces, are new considerations to be accounted for.

¹ Mr Ian Ives, *Transcript 17 April 2008*, pp. 109-110; Mr Paddy Crumlin, *Transcript 16 May 2008*, p. 37.

- 1.2 Accordingly, the Minister for Infrastructure, Transport, Regional Development and Local Government referred to this committee in March 2008 an inquiry into Australian coastal shipping policy and regulation, with the following terms of reference:

The Committee is to inquire into coastal shipping policy and regulation and make recommendations on ways to enhance the competitiveness and sustainability of the Australian coastal shipping sector.

The Committee's report is to:

- Outline the nature and characteristics of the Australian shipping industry and the international and coasting trades;
- Review the policy and regulatory arrangements in place for the coastal shipping sector;
- Assess strategies for developing an adequate skilled maritime workforce in order to facilitate growth of the Australian coastal shipping sector;
- Consider the effect of coastal shipping policy on the development of an efficient and productive freight transport system, taking into account issues such as environmental and safety impacts and competitive neutrality between coastal shipping and other modes of transport; and
- Consider the implications of coastal shipping policy for defence support, maritime safety and security, environmental sustainability and tourism.

- 1.3 The first issue the Committee considered upon receipt of the Minister's reference was how to define Australian coastal shipping for the purposes of this inquiry. A literal interpretation of the terms of reference could have limited the Committee's examination to all Australian flagged shipping operating on coastal and international trade routes. However, the Australian shipping task, particularly its coastal shipping task, is not limited to Australian flagged ships. As this report will discuss, there are foreign flagged ships operating on Australia's coast and Australian licensed ships which may not be owned or operated by Australians or Australian companies.

- 1.4 In its inquiry, the Committee has maintained the widest possible perspective in examining "Australian coastal shipping". It has pursued and invited discourse encompassing all manner of shipping on the Australian coast, and international issues relevant to the growth of an Australian shipping industry. However, for the purpose of this report, when the Committee considers the need to 'enhance the

competitiveness and sustainability of the Australian coastal shipping sector² as the terms of reference require, then “Australian coastal shipping” will be defined as ships that are engaged in Australian coastal trade either under licence (*Navigation Act 1912*) or registered under the *Shipping Registration Act 1981*.

Aim and scope of the report

- 1.5 This is not the first shipping inquiry in Australia. The Committee has been fortunate to have previous studies to draw on and use as a basis for which to advance its own recommendations. It is also aware that a lack of response to some previous reviews has left the Australian community with unfulfilled expectations.³
- 1.6 The Committee understands that the revitalisation of the Australian coastal shipping sector will need to begin with clearly established goals and guidelines; therefore, recommendations targeted at providing the Government with practical policy framework and regulatory reform options is the foundation upon which this report is based.
- 1.7 This chapter continues with a brief discussion of the history of coastal shipping in Australia followed by an outline of present circumstances. Chapter 2 outlines some of the benefits of a revived Australian coastal shipping sector before examining the need for a vision for Australian shipping and outlining the Committee’s recommendations. Chapter 3 begins with a summary of all Commonwealth legislation relevant to coastal shipping before establishing, in detail, the Committee’s recommendations for legislative reform. Chapter 4 addresses some of the national challenges facing the maritime sector in Australia, specifically port infrastructure and the current skills crisis. The report concludes with a chapter outlining possible new reform oversight mechanisms.
- 1.8 It is the Committee’s expectation that its recommendations, if agreed to, will assist the Government in articulating and progressing a plan for the systematic implementation of a new national coastal shipping policy.

2 Terms of reference.

3 See for example, Mr Stuart Ballantyne, *Transcript 21 May 2008*, p. 4.

Conduct of the inquiry

- 1.9 The inquiry was advertised in *The Australian* on 19 March 2008 and in the March edition of *Shipping Australia*. The Committee wrote to Commonwealth Ministers, state and territory governments, and a wide range of relevant business, unions, associations and stakeholders inviting them to make a submission.
- 1.10 The Committee received 81 submissions from 66 parties. These submissions are listed in Appendix A. In addition, the Committee received 20 exhibits which are listed in Appendix B.
- 1.11 The Committee held public hearings across Australia in Canberra, Sydney, Melbourne, Launceston, Adelaide, Perth and Brisbane. In total, 78 witnesses appeared before the Committee at public hearings. Details of the hearings and witnesses who appeared can be found in Appendix C.
- 1.12 Transcripts of the Committee's public hearings and copies of all written submissions are available for inspection from the Committee Office of the House of Representatives, the National Library of Australia or on the inquiry website:
<http://www.aph.gov.au/house/committee/itrdlg/index.htm>

Australian shipping—past and present

Australian coastal shipping

A brief history

- 1.13 The history of Australian coastal shipping is one of well established patterns. From the end of the 19th century to the present, dominant themes persist – shipping competing with rail then road, foreign participation in the Australian coastal trade and numerous policy reviews. All this has been well documented in several submissions to the Committee.⁴

4 For example, see Department of Infrastructure, Transport Regional Development and Local Government (DITRDLG), *Submission No. 15*, pp. 4-7; and excerpt of Attachment 2, Australian Shipowners Association (ASA), *Submission No. 29*, pp. 89-101.

- 1.14 In short, Australian coastal shipping grew throughout the 19th century despite times of economic depression and increased competition from rail, road and foreign shipping. By the turn of the century, the importance of shipping to Australia, combined with the many challenges it faced, led the shipping industry to call on the Commonwealth Government to provide some measure of protection.⁵
- 1.15 By 1921, the coastal provisions of the *Navigation Act 1912* had come into effect and Australian coastal shipping in the 20th century experienced times of growth and recession, industrial reform and policy and regulatory review. Perhaps the most active decade of reform came in the 1980s with the introduction of the *Ships Capital Grants Act* and other measures designed to promote investment in Australian flagged shipping. Other reforms during this period, including a reduction in crewing levels, resulted in an investment increase in Australian flagged shipping and a growth in the national fleet which 'tapered off from the mid 1990's leading to a diminishing and ageing Australian flag presence in both international and coastal trades'.⁶

Present circumstances

- 1.16 There are two primary types of cargo being shipped around Australia – bulk and container. Major bulk cargos in Australia are bauxite, iron ore, sugar, gypsum, cement, refined petroleum products and steel products. Most of these cargos move as part of a manufacturing supply chain.⁷ Container cargo moves around the coast either on north-south or east-west routes or as a transshipment of international cargo across Australian ports.⁸
- 1.17 Cargo can be shipped around the Australian coast in two ways – by vessels so licensed under Part VI of the *Navigation Act 1912* or by vessels operating under single voyage or continuous voyage permits, which are lawfully issued under Part VI of the Navigation Act. Licensed vessels may be registered (flagged) in Australia or elsewhere but are required to pay Australian rates of pay when operating in the Australian coasting trade. Permit vessels are not. This has the effect of making licensed vessels less competitive with international permit

5 DITRDLG, *Submission No. 15*, p. 4.

6 Ports Australia, *Submission No. 30*, p. 2. For a chronology of structural change in the Australian coastal shipping industry 1980-2008 see ASA, *Submission No. 29*, p. 77.

7 DITRDLG, *Submission No. 15*, p. 25.

8 DITRDLG, *Submission No. 15*, p. 17.

vessels; thereby, decreasing the number of licensed vessels operating on the Australian coast.⁹

1.18 A comprehensive review of Australia's regulatory framework and its impact on Australian coastal shipping can be found in Chapter 3 but it is useful to note the manner in which vessels are authorised to carry cargo in the coasting trade when reviewing various statistics intended to reflect the present state of coastal shipping in Australia.

1.19 Utilising statistics to highlight the current state of Australian coastal shipping can be a subjective exercise because the definition of coastal shipping is open to various interpretations that may not always coincide with the definition the Committee has chosen to employ.¹⁰ For example, DITRDLG has pointed out several possible definitions of coastal shipping:¹¹

- All commercial vessels operating on the coast: on the basis that they need comparable skills to operate, require the same land-sea interface and are subject to similar safety regulation. This definition encompasses a variety of large and small vessels and includes tugs, offshore supply vessels, dredges, barges and offshore tourist vessels;
- Large trading vessels engaged in the coastal trade: on the basis that these vessels fulfil the coastal transport task of moving cargo/passengers around the coast. Vessels could be Australian owned/crewed or foreign owned/crewed;
- Vessels that are licensed to engage in the coastal trade; on the basis that these are the vessels that are the primary means of meeting the coastal transport task. Vessels include Australian and foreign ships;
- Vessels that are operated by Australian entities: on the basis that these vessels are controlled by Australian interests and having similar capabilities can be used in the international or coastal trades. The vessels can be registered and/or crewed in Australia or overseas; and
- Australian registered vessels operating in the coastal trades. On the basis that these are the vessels that are available to meet the coastal

9 Australian Shipowners Association (ASA), *Submission No. 29*, pp. 64-68.

10 See paragraph 1.4 for Committee definition of Australian coastal shipping.

11 For a list of possible interpretations of the Australian coastal fleet see, DITRDLG, *Submission No. 15*, p. 8.

transport task, controlled by Australian entities and crewed by Australian seafarers.

- 1.20 The Bureau of Infrastructure, Transport and Regional Economics (BITRE) defines the Australian trading fleet, which includes coastal shipping, as 'cargo vessels owned and/or operated by Australian companies on trading routes to and from Australia' – a definition which encompasses vessels registered overseas and manned by foreign crew authorised to operate in Australian trades under licence.¹²
- 1.21 BITRE's statistics reveal that there has been a decline in the Australian registered trading fleet from 75 vessels in 1996 to 46 vessels in 2005-06. Nevertheless, those same statistics also reveal that Australia's major trading fleet (vessels of 2000 dwt or more operating within the coastal and overseas trades) has increased from 51 to 77 vessels; the increase being in the number of overseas registered vessels operating on overseas trade routes rather than on the Australian coast.¹³ Recently, BITRE has revised its methodology and, as a result, the figures have changed.¹⁴
- 1.22 Varying interpretations of the Australian trading fleet coupled with fluctuating statistics illustrate the challenge in gauging the exact numerical state of the Australian trading fleet and its coastal component. However, the percentage of Australia's major trading fleet that is Australian registered (52%) suggests that a sizable proportion of Australia's major trading fleet is flagged on overseas registries. This is a worrisome statistic that arguably signals a crisis for Australian registered shipping.¹⁵
- 1.23 The current state of Australian coastal shipping can also be viewed within the context of Australia's freight task as a percentage of the task shipping represents. Shipping in Australia accounts for 26% of the domestic freight task. Over the last ten years the proportion of the total freight task undertaken by shipping has declined due to an increase in freight moved by road and rail.¹⁶ In other words, there has been an increase in the amount of freight needing to be moved, but

12 DITRDLG, *Submission No. 15*, p. 8.

13 BITRE statistics reproduced in, DITRDLG, *Submission No. 15*, pp. 8-11.

14 DITRDLG, *Submission No. 15*, pp. 11-12.

15 BITRE statistics reproduced in, Maritime Union of Australia (MUA), *Submission No. 45*, p. 16.

16 ASA, *Submission No. 29*, p. 18.

road and rail, not shipping, have carried the freight. This too is worrisome for Australian coastal shipping.

- 1.24 In addition to considerations regarding the size of the Australian coastal fleet and its share of the domestic freight task, the Committee is also aware that there has been a growth in demand across cargo groups, which has led to a growth in demand for shipping services.¹⁷ As demand has grown, so too has the number of permit voyages. In 2006-07, 30% of coastal cargo was carried under permit. This represents a growth of 56.4% over the previous year.¹⁸ The Committee expects that as demand for shipping services grew, the number of permits issued would grow, particularly given the fact that the number of Australian coastal vessels has remained relatively static.¹⁹ Nevertheless, an increase in the number of permits issued does not assist in reinvigorating an Australian coastal shipping industry comprised largely of Australian licensed and/or registered vessels.
- 1.25 There are two other key issues affecting the growth of Australian coastal shipping at present: a skills crisis in the maritime industry in Australia and worldwide, and port infrastructure challenges – both of which are discussed in this report.

International shipping and Australia

- 1.26 Australian coastal shipping cannot be viewed in isolation. Australia is an island nation which participates in a global maritime industry and is dependant on international shipping services – more than 99% of Australia's external trade is carried by foreign ships.²⁰ Internationally, flagged vessels operate on the Australian coast carrying both international cargo and coastal cargo. In addition, Australia is a base for many international ship management and shipping service companies as well as owner-operators.²¹ Australian maritime qualifications are world-class and Australian officers, in particular, are highly regarded and sought after internationally.²²
- 1.27 Australia also participates in an international maritime community which is subject to the provisions of the United Nations Convention

17 DITRDLG, *Submission No. 15*, p. 23.

18 DITRDLG, *Submission No. 15*, pp. 21-24.

19 BITRE statistics reproduced in, DITRDLG, *Submission No. 15*, pp. 8-11.

20 ASA, *Submission No. 29*, p. 3.

21 For a list of key shipping players in Australia see, MUA, *Submission No. 45*, pp. 19-23.

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

on the Law of the Sea 1982 (UNCLOS). UNCLOS provides the framework for conventions and agreements under international organisations such as the International Maritime Organization (IMO), which is responsible for ship safety and environment protection standards, and the International Labour Organization (ILO), which promulgates ship standards in relation to crew health and safety.²³ Australia has ratified most of the major international maritime conventions and is therefore obliged to give them effect in national legislation.²⁴

- 1.28 The nature of international shipping has changed drastically since Australia passed the Navigation Act in 1912. Today, larger vessels with fewer crew members ship goods around the world. These vessels may be owned by a company operating in one country but are registered in an open register of another country – open registers allow ships from other countries to register as opposed to national registers which only allow a ship from its country registration rights.²⁵ Open registers are often call “Flags of Convenience” and currently 53% of the world fleet is registered in open registers.²⁶ The decision to register one’s vessel in an open register is often based on commercial benefit as some open registers offer ‘cheap registration fees, low or no taxes and freedom to employ cheap labour’.²⁷
- 1.29 The changing nature of shipping over the last twenty-eight years has impacted on the industry in Australia as well as other traditional shipping countries. Throughout the late 1970s, 80s and 90s, vessels continued to move from national to open registers resulting in the decline of national fleets. These declines were further exacerbated by a worldwide maritime skills shortage and as a result, countries including Australia, the United Kingdom (UK) and several European nations suffered declines in their national fleets and began to rely on foreign ships and seafarers for the carriage of trade.²⁸ In the UK, this resulted in ‘overwhelming economic distortions caused by sub-

23 DITRDLG, *Submission No. 15*, p. 87.

24 DITRDLG, *Submission No. 15*, p. 87.

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

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

27 Australian Institute of Marine and Power Engineers (AIMPE), *Submission No. 52*, p. 25.

28 Selkou and Roe Marit, *UK tonnage tax: subsidy or special case?*, Policy Management, Institute of Marine Studies, University of Plymouth, Drake Circus (Plymouth UK), Volume 29, No. 4, 2002, p. 393.

standard operators and foreign subsidies and the decline of the UK merchant fleet and associated UK seafaring employment'.²⁹

1.30 Beginning in the late 1990s, developed countries, particularly in Europe, actively initiated shipping support mechanisms in an attempt to address the decline in their shipping fleets. These included:

- favourable tax regimes for ship-owners;
- cost-offsets in employing domestic seafarers;
- ship-financing schemes;
- the encouragement of training and career development;³⁰ and
- the establishment of second registers.³¹

The result has been an increase in additional tonnage back to national registers.³²

1.31 Governments around the world recognise the importance of shipping to their national economies. The maritime economy in Germany is seen to be of 'high economic significance' and in the UK, the maritime industry is considered 'vital' to the economy; likewise in the Netherlands, Denmark and Japan.³³ In the UK, the case for transporting freight by water is being made by organisations such as Sea and Water, which argue that by increasing coastal shipping's role in the UK domestic freight task, there will be a reduction in carbon emissions and road congestion.³⁴ In Australia, it has also been recognised that a 'viable coastal shipping industry in a competitive domestic transport sector [is] an outcome critical to Australia's economic future.'³⁵

29 Selkou and Roe Marit, *UK tonnage tax: subsidy or special case?*, Maritime Policy Management, Institute of Marine Studies, University of Plymouth, Drake Circus (Plymouth UK), Volume 29, No. 4, 2002, p. 393.

30 The Hon Alannah MacTiernan and the Sea Freight Council of Western Australia, *Submission No. 39*, p. 12.

31 ASA, *Submission No. 29*, p. 53.

32 Leggate and McConville, *Tonnage tax: is it working?*, Maritime Policy Management, Centre for International Transport Management, London Metropolitan University (London, UK), Vol. 32, No. 2 (April-June 2005), p. 178.

33 Meyrick and Associates, *Comparative overview of government shipping policies*, reprinted in ASA, *Submission No. 29*, pp. 108-09.

34 Sea and Water, *The case for water: Why transporting freight by water is good for the environment and good for the economy* (UK) 2006.

35 The Hon Anthony Albanese, Minister for Infrastructure, Transport, Regional Development and Local Government, Media Release, 12 March 2008.

Benefits of a competitive and sustainable coastal shipping sector

- 2.1 Shipping already plays a significant role in fulfilling Australia's domestic freight task, carrying twenty-four per cent of the total freight task in 2004-05.¹ It could be argued that any increase in coastal shipping's share of a growing domestic freight task would be beneficial for a number of reasons, but before coastal shipping can increase its share of the national freight task it will need to become competitive with rail and to a lesser extent road – not international shipping. Coastal shipping's competitiveness will then have a direct impact on its sustainability. While initial support might be required to rejuvenate the industry, over the long-term coastal shipping services will have to offer available, reliable, timely service with competitive pricing if the sector is to be sustained.²
- 2.2 The potential benefits of a revitalised Australian coastal shipping industry contributing to the carriage of the national freight task are considerable. The Committee has received evidence which suggests that a revitalised coastal shipping industry in Australia could have positive flow-on effects for the economy, environment, road safety and congestion, Australian defence, maritime safety and security and potentially Australian maritime-related industry.

1 DITRDLG, *Submission No. 15*, p. 41.

2 Meyrick and Associates, *International and Domestic Shipping and Ports Study*, quoted in MUA, *Submission No. 45*, p. 67.

Economic benefits of coastal shipping

- 2.3 The important economic role that domestic shipping can play in the alleviation of land transport bottlenecks, infrastructure constraints and environmental impacts,³ as well as the economic benefits derived from the creation of local employment and the growth of maritime services,⁴ should be a foremost consideration when examining the need to revitalise Australia's coastal shipping industry.
- 2.4 Shipping makes an important contribution in meeting Australia's total freight task – twenty-four per cent in 2004-05⁵ – and shipping has the advantage of being able to move large quantities of cargo over long distances.⁶ The cost and efficiency of coastal shipping has important economic consequences as well, which affect the profitability of export industries and the viability of mineral processing in Australia.⁷
- 2.5 Yet evidence provided to the Committee and related documentation found in the Australian community, does not address the direct impact that the coastal shipping industry has on the Australian economy. The Bureau of Infrastructure, Transport and Regional Economics provides detailed statistics outlining the movement of freight between ports, the amount of cargo loaded and discharged and the makeup of the Australian trading fleet.⁸
- 2.6 These statistics, however, are not put into context and the economic argument for increasing coastal shipping's share of Australia's domestic freight task has not been adequately articulated. That is unfortunate because international examples reveal that in the UK, for example, the growth of its shipping industry in recent years has led to significant benefits for its economy. Shipping in the UK supports 239,000 jobs and contributes eleven billion pounds a year to the UK's gross domestic product.⁹ UK tax revenues generated from shipping

3 Meyrick and Associates, *International and Domestic Shipping and Ports Study*, May 2007, p. 9.

4 Ms Melissa Parke MP, *Submission No. 37*, p. 2.

5 DITRDLG, *Submission No. 15*, p. 41.

6 DITRDLG, *Submission No. 15*, p. 41.

7 Richard Webb, *Coastal shipping: an overview*, Research Paper No. 12, 2003-04, Parliamentary Library, p. 4.

8 Bureau of Infrastructure, Transport and Regional Economics, *Australian Transport Statistics*, Yearbook 2007, pp. 85-100.

9 Oxford Economics, *Economic Contribution of the UK Shipping Industry*, Winter 2007, pp. 2-3.

amount to over three billion pounds per year. In addition, industry growth has delivered infrastructure benefits through the enhancement of competition and productivity, expanded the maritime services sector and provided defence options in times of need.¹⁰

- 2.7 Much of the growth in the UK shipping industry has been attributed to the introduction of a tonnage tax in the late 1990s.¹¹ A tonnage tax will be discussed in greater detail in this report, but for now it is worth noting that efforts in the UK to revitalise its shipping industry have led to positive and substantial benefits for the UK economy.

Environmental benefits of coastal shipping

- 2.8 Australia's transport sector currently accounts for approximately fifteen per cent of Australia's greenhouse gas emissions, and approximately six per cent of Australia's emissions are freight emissions. Road freight, in particular, accounts for eighty per cent of freight emissions while shipping accounts for only four per cent.¹²
- 2.9 Statistics such as these suggest that a shift in freight transport modes from land based transport to coastal shipping could significantly assist in reducing Australia's greenhouse gas emissions. Certainly, the Committee has received evidence arguing this case.¹³ However, it is also aware that transferring some of the freight task to coastal shipping may only result in a 'small reduction in greenhouse gas emissions'¹⁴ and that:

Actively pursuing mode shifting from land modes to coastal shipping as a means of reducing emissions is unlikely to be an effective or efficient greenhouse strategy. However, should mode shifting be pursued for other reasons, an additional

10 Oxford Economics, *Economic Contribution of the UK Shipping Industry*, Winter 2007, pp. 2-3.

11 Oxford Economics, *Economic Contribution of the UK Shipping Industry*, Winter 2007, pp. 2-3.

12 Andrew Macintosh, *Climate Change and Australian Coastal Shipping*, The Australia Institute, Discussion Paper Number 97, October 2007, p. vi.

13 ASA, Submission No. 29, p. 21.

14 Dr Laurie Goldsworthy, *Transcript 29 April 2008*, p. 9.

benefit would be an improvement in the greenhouse performance of the domestic freight sector.¹⁵

- 2.10 The Committee was further advised that greenhouse emissions only constitute a portion of total ship emissions. Nitrogen and sulphur oxides and particulates are different categories of emissions. Due to the type of fuel used by ships and the size of a ship's engines, shipping produces higher emissions in these categories.¹⁶
- 2.11 International studies have shown that shipping emissions can have a serious impact on urban pollution and damage to ecosystems from acid rain and nitrification. The extent of this problem in Australia is unknown due to a lack of scientific evidence. The Committee has been advised that:
- ...it would be very useful for a study to be done specifically for Australia about the impact of shipping emissions on Australia's air pollution. I think it would be great for the CSIRO [Australian Commonwealth Scientific and Industrial Research Organisation] to be a part of a team doing that.¹⁷
- 2.12 It would be useful for policy makers to have a clearer understanding of the amount and location(s) of pollution from coastal shipping emissions in Australia. Therefore, the Committee recommends that the CSIRO, in consultation with independent scientists, study and report on the magnitude and location(s) of significant pollution from ship emissions in Australia.¹⁸

Recommendation 1

- 2.13 **The Committee recommends that the Australian Commonwealth Scientific and Industrial Research Organisation, in consultation with independent scientists, study and report on the magnitude and location(s) of significant pollution from ship emissions in Australia.**
- 2.14 Ship emissions can be reduced and will decline as new engine technology and ship hull design is introduced. Already great

15 Andrew Macintosh, *Climate Change and Australian Coastal Shipping*, The Australia Institute, Discussion Paper Number 97, October 2007, p. ix.

16 Dr Laurie Goldsworthy, *Transcript 29 April 2008*, p. 9.

17 Dr Laurie Goldsworthy, *Transcript 29 April 2008*, p. 9.

18 Maritime Transport Centre, *Submission No. 19*, p. 7.

advancements have been made in recent years. Fuel efficiency in new ships is almost forty per cent better today than it was a decade ago,¹⁹ and when new technology is applied to existing ships there can be up to twenty per cent fuel efficiency gains.²⁰ The IMO has just decided on new long-term goals for ship emissions that, if ratified globally, will continue to advance ship innovation and technological adaptation as well.²¹

- 2.15 The Commonwealth Government has proposed that the transport sector be included in its Carbon Pollution Reduction Scheme.²² The introduction of an emissions trading scheme and the inclusion of transport in that scheme may increase the viability of shipping compared to other modes of transport.²³ However, Australian coastal shipping operators could be put at a competitive disadvantage if the emissions trading scheme only applies to the domestic trade and not the foreign trade, in which permit ships operate.²⁴ It has been pointed out to the Committee that:

If we look, for instance, at a \$30 per tonne permit system and a ship that burns 30 tonnes a day, that is a \$900-a-day differential right there because we have decided that emissions trading does or does not apply. So the first issue is the coverage of the scheme and how that would work.²⁵

- 2.16 This is an important consideration and the Committee is concerned that should a national emissions trading scheme be put into place that doesn't apply to ships operating under permit on the Australian coast, Australian coastal shipping operators will be at a competitive disadvantage at a time when Australia is attempting to revitalise the industry.

19 MUA, *Submission No. 45*, p. 67.

20 ASA, *Submission No. 29*, p. 24.

21 Dr Laurie Goldsworthy, *Transcript 29 April 2008*, p. 9; and MUA, *Submission No. 45*, p. 64.

22 Australian Government, *Carbon Pollution Reduction Scheme: Green Paper Summary*, July 2008, p. 16.

23 Mr Llew Russel, *Transcript 17 April 2008*, p. 19.

24 Ms Teresa Hatch, *Transcript 21 April 2008*, p. 4.

25 Ms Teresa Hatch, *Transcript 21 April 2008*, p. 4.

Coastal shipping and Australian defence

- 2.17 Expanding Australia's coastal shipping industry would 'present an opportunity to enhance the scope and nature of the Australian maritime industry's capacity to support Australian Defence Force (ADF) operations.'²⁶ Currently, that capacity is low. Research done by a joint Industry-Defence Working Group of the Australian Maritime Defence Council (AMDC)²⁷ has noted that there are 'limited capabilities within the Australian-controlled shipping fleet that could serve ADF's requirements',²⁸ due to the reduction in Australian-flagged vessels in the coastal trade.²⁹
- 2.18 This has not always been the case; the Australian merchant marine and merchant seafarers have played crucial roles in many of Australia's armed conflicts, including both World Wars and the Korean conflict. More recently, the ADF utilised civilian shipping for its mission in Timor-Leste.³⁰
- 2.19 In countries such as the United States and the United Kingdom, the relationship between their navies and merchant marines are very strong.³¹ In Australia, the relationship exists but could be stronger. Cooperation between the defence forces and the maritime industry is fostered through participation in the AMDC,³² which was established in 1982 'in recognition of the need to develop and maintain sound working relationships between the Department and key maritime industry players'.³³ Twenty years later, the Independent Review of Australian Shipping (IRAS) report was released and noted that:

26 Department of Defence, *Submission No. 50*, p. 10.

27 The Australian Maritime Defence Council (AMDC) is a non-statutory body, established by the Minister for Defence, with its mission being to promote and foster the partnership between Defence and the maritime industry operating in Australia, as well as to facilitate the provision of effective advice and support to Government on maritime-related issues. The AMDC comprises a Chairman (Deputy Chief of Navy) and members who hold specific appointments within Defence and the Australian maritime industry. Department of Defence, *Submission No. 50*, p. 1.

28 Department of Defence, *Submission No. 50*, p. 6.

29 Department of Defence, *Submission No. 50*, p. 5.

30 MUA, *Submission No. 45*, p. 69.

31 AIMPE, *Submission No. 35*, p. 13.

32 Cmd Robert Spencer, *Transcript 16 May 2008*, p. 65.

33 Semaphore, Newsletter of the Sea Power Centre Australia, *The Strategic Importance of Australian Ports*, Issue 16, October 2005, http://www.navy.gov.au/spc/semaphore/issue16_2005.htm, accessed, 26 June 2008.

If there is any weight to be placed on the existence of an Australian shipping capacity [for defence purposes] it has not been raised with the industry by any government agency. The experience of the industry is that the Department of Defence has made no overtures to industry in connection with Australia's merchant navy capacity. Commercial imperatives drive private investment in the shipping industry and there is no discernible influence on those imperatives from a defence point of view. This is made the more puzzling in light of the growing practice of Navy outsourcing a number of its previously traditional tasks which require maritime skills and expertise. These include ship provedoring, port management, crew training and through-life vessel support services. The Australian shipping industry believes it should and would support a defence requirement in a defence emergency but in the absence of any discernable interest from Government in this regard, it is not an issue that influences the shipping industry's investment behaviour.³⁴

- 2.20 It would appear that for a long period of time there was little meaningful interaction between the Department of Defence and the maritime industry. This may be changing. Following the release of the IRAS report, the AMDC established a joint Industry-Defence Working Group to examine 'Defence's requirements of commercial sealift and the opportunities this might present to the Australian indigenous shipping fleet.'³⁵ The key outcome from these deliberations was:

...the development (by Joint Logistics Group in Defence) of a long-term standing panel contract arrangement with selected shipping brokers to provide Defence with the flexibility it requires to respond quickly to a range of scenarios, quickly access sealift support services in support of ADF operations, and open up the competition to Australian and international shipping providers. Four commercial companies (HK Logistics, ALLTRANS International, APL Logistics and Patrick Toll) now form a Standing Offer Panel, which is valid for three years, with the Commonwealth having the right to offer two one-year extensions (up to a maximum of 60 months).³⁶

34 Sharp and Morris, *Independent Review of Australian Shipping: A Blueprint for Australian Shipping*, September 2003, p. 8.

35 Department of Defence, *Submission No. 50*, p. 5.

36 Department of Defence, *Submission No. 50*, p. 6.

2.21 Another joint working group was established in March 2007 with the purpose of examining the other key military-civilian issue – the availability of a skilled maritime workforce.³⁷ A scoping report was completed which outlined key shared workforce challenge issues but to date, very little has been done to address these issues:

While there are many people-oriented programs underway in both Defence and the maritime industry, each sector is generally addressing its manifestations and resolution options separately, with little effective joint activity apparent, and ostensibly each competitively fishing in the same labour pool.³⁸

2.22 Clearly there is value in greater defence-maritime industry cooperation. The Committee understands that the current joint working group is examining ways to:

- strengthen skills sharing between the Royal Australian Navy (RAN) and the merchant navy; and
- promote career options for service personnel and provide opportunities for both RAN and merchant navy personnel to gain experience in the other sector.³⁹

2.23 Research and dialogue must continue but there is a need for the AMDC to begin the process of establishing concrete programs designed to address the issues before it. As the coastal shipping industry grows, the Committee expects that the work of the AMDC will increasingly focus on actively ensuring that the merchant marine can 'provide more responsive readiness and preparedness to allow the Commonwealth Government to more quickly meet credible emergent national security, peacekeeping, stabilisation or humanitarian contingencies'.⁴⁰

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

38 Department of Defence, *Submission No. 50*, p. 8.

39 ASA, *Submission No. 29*, p. 39.

40 ASA, *Submission No. 29*, p. 40.

Further benefits

- 2.24 The coastal shipping fleet is only one part of the maritime sector and there are a number of other benefits which could flow from an expansion of an Australian coastal shipping fleet. Greater use of shipping within Australia's transport task could, for example, help ease freight congestion on Australia's roads⁴¹ and reduce the impact of road tolls, injuries, noise and road maintenance investment.⁴² An increased domestic shipping fleet on the coast would also provide an important surveillance function, thereby enhancing Australia's maritime security capacity.⁴³
- 2.25 The maritime sector in Australia involves a range of maritime related industries and activities including:
- ship brokers;
 - port agents;
 - ship managers;
 - port service companies;
 - stevedores and terminal operators;
 - ship service companies;
 - marine insurance, classification societies and marine surveyors;
 - maritime financiers;
 - freight forwarders and customs brokers; and
 - bunker providers and brokers.⁴⁴
- 2.26 An expansion of Australian shipping and coastal shipping would only serve to strengthen and grow these existing services so that, in

41 Port Kembla Port Corporation, *Submission No. 8*, p. 2; and Port of Brisbane Corporation, *Submission No. 56*, p. 7.

42 Meyrick and Associates, *International and Domestic Shipping and Ports Study*, May 2007, p. 9.

43 MUA, *Submission No. 45*, p. 72.

44 Sharp and Morris, *Independent Review of Australian Shipping: A Blueprint for Australian Shipping*, September 2003, pp. 11-13.

time, Australia could become a hub for shipping business in much the same way as London, Hong Kong and Singapore.⁴⁵

Looking forward

2.27 This committee has been tasked with making recommendations on ways to enhance the competitiveness and sustainability of the Australian coastal shipping sector. For this to occur, reform is needed. Submitters to this inquiry have urged the Committee to consider the need for government to develop a policy and regulatory framework for the future of the Australian coastal shipping sector and enunciate it in a policy statement.⁴⁶

2.28 The Committee has been advised that:

...there is really no vision in the way that the government is approaching shipping and coastal shipping and we feel that, as the world's largest island, we should have a policy on shipping. It seems bizarre that we do not; it seems bizarre that we do not foster it, that we do not have a long-term aim to carry all of our coastal freight. That is where we would see this inquiry heading – to try and get a vision for coastal shipping in this country.⁴⁷

A vision for Australian shipping

2.29 It was argued that a clear policy statement from the Commonwealth Government would 'establish the foundation of a revitalised shipping industry' and 'would form an integral part of a nationally integrated transport and infrastructure plan'.⁴⁸

2.30 The Committee is aware that there currently exists a large body of preparatory work that addresses Australian maritime issues and makes recommendations for reform.⁴⁹ The work has been completed by, or on behalf of, organisations such as the Australian Logistics

45 Mr Paddy Crumlin, *Transcript 16 May 2008*, p. 23.

46 Maritime Union of Australia (MUA), *Submission No. 45*, p. 7

47 Mr Christopher Schultz, *Transcript 21 April 2008*, p. 22.

48 MUA, *Submission No. 45*, p. 7

49 For example, see the *Independent Review of Australian Shipping: A Blueprint for Australian Shipping*, September 2003 and Meyrick and Associates, *International and Domestic Shipping and Ports Study*, May 2007.

Council, the Australian Maritime Group of the Australian Transport Council, maritime unions, the Australian Shipowners Association, the Council of Australian Governments and Commonwealth Government agencies. This work can be drawn upon when assembling a national shipping and maritime policy.

2.31 Much of the hard work and analysis required to reform Australia's shipping policy and regulation has been completed without a clearly articulated policy. That situation may have changed during the course of this inquiry.

2.32 On 26 June 2008, the Minister for Infrastructure, Transport, Regional Development and Local Government revised the Ministerial guidelines for granting licences and permits to ships that transport goods interstate between Australian ports. The preamble to the revised guidelines begins by stating that:

The Australian Government's policy is to foster a viable coastal shipping industry in a competitive domestic transport sector.⁵⁰

2.33 This may be the policy statement that many in the Australian community have been asking for. The Committee is of the opinion, however, that more is required. The Government would appear to be indicating a change in coastal shipping policy and therefore, the Government's new policy needs to be publicly reiterated and supported by a strong national policy framework statement which clearly outlines the Government's new policy and addresses a range of issues.

2.34 A new policy framework for coastal shipping in this country should take into consideration:

- reform of Part VI of the *Navigation Act 1912*, the *Navigation (Coasting Trade) Regulations 2007* and the *Ministerial Guidelines for Granting Licences and Permits to Engage in Australia's Domestic Shipping*;
- the implementation of a single national approach to maritime safety for commercial vessels;
- the introduction of an optional tonnage tax regime in Australia that is linked to mandatory training requirements;

50 Ministerial guidelines-Preamble, issued 26 June 2008, http://www.infrastructure.gov.au/maritime/freight/licences/ministerial_guidelines.aspx#preamble, accessed 11 July 2008.

- the re-introduction of accelerated depreciation arrangements;
- a one year review of the Maritime Crew Visa;
- amendments to the *Seafarers' Rehabilitation and Compensation Act 1992* and the *Occupational Health and Safety (Marine Industry) Act 1993*;
- the creation of a national port development plan to address current and potential capacity constraints in Australia's ports;
- the creation of a national maritime training authority and the introduction of a national training vessel;
- a review of Section 23 AG of the *Income Tax Assessment Act 1936*; and
- the creation of a reform implementation group to implement any future Commonwealth Government reforms.

2.35 If implemented, these recommendations will assist in the revitalisation of the Australian coastal shipping industry and increase the potential for the Australian coastal shipping sector to assume a larger proportion of the national freight task.

Legislative review and reform

Coastal shipping regulatory framework in Australia

- 3.1 The Committee has examined the existing coastal shipping regulatory framework in Australia with the intention of recommending options for regulatory reform which could lead to a competitive and sustainable Australian coastal shipping sector. In particular, the Committee examined the following legislation, regulations and guidelines as they relate to coastal shipping:

Table 2.1 Table of the legislative and regulatory framework

The Navigation Act 1912
<p>Part VI of the Act applies to vessels entering Australia (operating under permit in the coastal trade) and vessels introduced by an Australian entity to operate permanently on coastal voyages (under licence and engaged in the coasting trade). There is a clear distinction made by the DITRDG between operating (under permit) and engaged (under licence). This distinction is important because if a ship is deemed to be engaged then it must be licensed and therefore required to comply with several Australian acts.</p> <p>Coasting trade licences</p> <p>Section 288 of the Act provides for a ship to be licensed to enable it to engage in the coasting (i.e. interstate coastal) trade. The legislation sets no restriction as to nationality of the ship or the crew - it is only necessary that the ship complies with a number of conditions, namely that:</p> <ul style="list-style-type: none"> ▪ the crew on board a licensed vessel must be paid Australian wages when engaged in the coasting trade (s.288); ▪ the crew must have access to the ship's library for passengers if there is no library for the crew on the ship (s.288); and ▪ the ship must not be receiving any subsidy from a foreign Government (s.287). <p>The Act allows a ship operating with a licence on the coast to also participate in foreign trade and in these cases it is only required that the ship meet requirements for the licence for the period when the vessel is engaged in the coasting trade.</p> <p>Section 289 relates to the requirement of paying Australian wages and states:</p> <ul style="list-style-type: none"> ▪ Every seaman employed on a ship engaged in any part of the coasting trade shall, subject to any lawful deductions, be entitled to and shall be paid... wages at the current rates ruling in Australia for seaman employed in that part of the coasting trade.... <p>Licences may be issued for a period of up to three years but in practice are issued for up to one year.</p> <p>Coasting trade permits</p> <p>The Act allows non-licensed vessels to carry interstate coastal cargoes in certain circumstances where they have been issued a permit. The relevant provision is Section 286 of the Act, which provides that a permit may be issued to a non licensed ship to carry coastal cargoes in instances where:</p> <ul style="list-style-type: none"> ▪ no licensed ship is available to meet the needs of shippers of domestic cargoes [the availability test, ss.286(l)(a)]; or ▪ where the service provided by licensed ships is not adequate to meet the reasonable needs of shippers [the adequacy test, ss.286(l)(b)]; and ▪ it is in the public interest. <p>Unlike licences, permits are issued at the discretion of the Minister (or his/her delegate).</p> <p>A permit can be either a Single Voyage Permit (SVP) for carriage of a specified cargo between designated ports at a particular time or a Continuing Voyage Permit (CVP) for a number of successive voyages between designated ports. The recent practice is to issue a CVP with up to a three month validity allowing a ship to trade between specified ports within this period.</p> <p>A ship using a permit shall not be deemed to be engaging in the coasting trade, that is, it is not subject to the licensing requirements for vessels operating in the coasting trade.</p>

Navigation (Coasting Trade) Regulations 2007

The Regulations are subordinate to Part VI and supplement its provisions. They provide the means, including prescribed forms, by which applications are made for licences and permits. The Regulations specify the fees for a licence or a permit and provide the mechanism to demonstrate that crews on licensed ships have been paid Australian wages as required by section 288 of the Act. The Regulations also set the time frames for the processing of permit applications.

Ministerial Guidelines for Issuing Coasting Trade Licences and Permits

To supplement the provisions of Part VI and the Regulations, Ministerial Guidelines for Issuing Coasting Trade Licences and Permits (the Guidelines) have been issued to provide guidance for Departmental delegates of the Minister in making decisions regarding issuing licences and granting permits and to serve as a source of information for the shipping industry and other stakeholders. These Guidelines have been updated over time to reflect any relevant developments affecting the administration of the Act and are subject to regular amendments to remove uncertainties when they emerge, consistent with existing legislation. While the Guidelines themselves have no legal status, they are a key working document for administration of the regulatory regime and their provisions reflect the wording of the legislation, the Regulations, guidance from legal actions and advice, and current public interest considerations.

The Customs Act 1901

The importance of The Customs Act 1901 for the purpose of coastal shipping is based on the question of whether a ship entering Australia to carry domestic cargo is imported under the Act. A major consideration is the DITRDG permit because coasting trade permits are one of the factors the Australian Customs Service (ACS) considers in determining whether a vessel needs to be 'entered for home consumption'. Vessels that have been 'entered for home consumption' are deemed by the Navigation Act to be Australian ships and are covered by Part II of the Act. Ships arriving at Australian ports come under the control of the ACS. A decision to "enter the vessel for home consumption" is dictated by Customs legislation and practice based on legal precedent. Generally, a vessel that has been on an international voyage to Australia, takes on the status of an imported vessel if its international voyage is terminated or suspended. If its status is "imported", ACS requires the owner of the vessel enter it into home consumption. Being entered for "home consumption" has the implication of making the ship and its equipment subject to a range of domestic legislation, including liability for GST and excise duties.

The Migration Act 1958

The Migration Act provides for all foreign crews of either licensed or permit ships to be subject to visa requirements, and whether or not a particular type of visa is available will have implications for the ability to operate a ship as a licensed vessel with a foreign crew. The impacts of migration regulations primarily affect crews on longer stays in Australia, either on board foreign vessels which have been licensed or are operating on Continuing Voyage Permits. Crew on board vessels operating under a Single Voyage Permit would normally be regarded as similar to other foreign crews on vessels travelling to Australia in the international trades. Crew on a commercial vessel operating under a coastal trading licence issued by the Department require a Maritime Crew visa and a Long Stay Temporary Business visa for skilled workers who remain working on the vessel.

The Workplace Relations Act 1996

Under the Navigation Act, all crew members employed on a ship licensed to engage in coastal trade are required to be paid the 'current rates ruling in Australia'. The Navigation Act identifies an Australian Pay and Classification Scale or a transitional award under the Workplace Relations Act 1996 that applies to seafarers employed in the coastal trade as 'evidence of the rates of wages in Australia for those seamen'.

The Seafarers' Rehabilitation and Compensation Act 1992

The Occupational Health and Safety (Maritime Industry) Act 1993

A ship covered by the Part II of the Navigation Act (section dealing with Masters and Seamen) is also covered by the Seafarers' Rehabilitation and Compensation Act 1992 and the Occupational Health and Safety (Maritime Industry) Act 1993. The practical effect is that employers of seafarers on these ships are liable for compensation coverage and health and safety standards for crews under Australian legislation.

The Shipping Registration Act 1981

Part VI of the Navigation Act 1912 does not restrict the licensing of coastal trading ships to Australian flagged vessels. This reflects the history of Part VI and the fact that until the Shipping Registration Act 1981 (the Act), United Kingdom shipping registration laws applied in Australia. The Act was introduced because the United Nations Convention on the Law of the Sea (UNCLOS) requires Australia to maintain a register in respect of all ships flying the Australian flag (except for certain exempt ships, being mainly small ships). AMSA administers the Australian Register of Ships under the Act. The Act requires that a vessel owned by an Australian entity shall be entered in the Australian register of ships. Foreign-owned ships operating under permits are not deemed to be Australian and maintain foreign registry. The Act confers nationality on Australian ships and grants the right to fly the national colours; provides, in some situations, for the conferment of title in ships; and provides for the registration of mortgages.

Source DITRDLG, *Submission No. 15*, pp. 25-33 & p. 43; Richard Webb, *Coastal shipping: an overview*, Research Paper No. 12 2003-04, *Parliamentary Library*, pp. 37-8; Department of Education, *Employment and Workplace Relations*, *Submission No. 48*, p. 3.

Review and reform

Navigation Act 1912, Part VI

3.2 The Committee received submissions from a variety of sources suggesting that various reforms are needed in regards to the licensing, but in particular the permitting, provisions of Part VI.¹ As its title suggests, the *Navigation Act 1912* is an old document that reflects a different time in Australia's history. Until 1982, Australian ships were registered as British ships and therefore the license and permit provisions of Part VI reflected the need to allow for British ships to operate on the Australian coast. As such, cargo preferences are not linked to the flag of a ship but to the payment of Australian wages.² This has resulted in a situation where foreign owned and crewed vessels are able to operate on the Australian coast.

Coasting trade permits

3.3 The Committee has reviewed much evidence in relation to the permit system and heard differing arguments – some supporting a tightening of the permit system while others believe it is working effectively and should remain the same.

1 For example see, Rio Tinto, *Submission No. 60*; and MUA, *Submission No. 45*.

2 ASA, *Submission No. 29*, p. 63.

- 3.4 The wide range of views relating to the permit system cannot be overstated. Of those who argue for reform, some have done so because they believe a liberal application of the permit system is undermining the development of an Australian coastal shipping industry by allowing an increasing amount of foreign flagged ships and crew to operate on the Australian coast, thereby rendering Australian shipping uncompetitive with other forms of transport in Australia (road and rail).³
- 3.5 Unions, in particular, have made substantial recommendations designed to tighten the permit system and facilitate competitive neutrality between coastal shipping, road and rail as well as between licensed ships and permit ships.⁴
- 3.6 Shipping and ship owner organisations have argued that the system is too flexible and open to interpretation which can impact negatively on business planning.⁵ They believe that the Ministerial Guidelines are too flexible and that the administration of the permit system within the DITRDLG can be problematic for a number of reasons, including a lack of shipping knowledge and poor communication between the policy and administrative divisions of the Department.⁶
- 3.7 BP is concerned that the system is not flexible enough because permits take two days or longer to be approved and if last minute changes occur (which often happens) then the permit application must also be changed and resubmitted.⁷
- 3.8 There are also those who believe the permit system works well.⁸ ANL has advised the Committee that the current system ‘works well at matching the demands of shipper with shipping services’ and that the DITRDLG ‘does a great job in the administration of the system and their efforts should be acknowledged’.⁹
- 3.9 All, however, agree that a permit system of some kind is an important component of Australia’s coastal shipping regulatory regime.¹⁰

3 MUA, *Submission No. 45*, pp. 28 & 29; Martin Byrne, *Transcript 17 April 2008*, p. 29.

4 MUA, *Supplementary Submission No. 53.1*, pp. 14-18.

5 CSR, *Submission No. 28*, p. 6; ASA, *Submission No.29*, p. 72.

6 ASA, *Submission No.29*, p. 72; and Mr Llewellyn Russell, *Transcript, 17 April 2008*, pp. 19 & 20.

7 BP, *Submission No. 16*, p. 7.

8 ANL, *Submission No. 38*, pp. 4 & 5.

9 ANL Container Line Pty Ltd, *Submission No. 38*, pp. 4 & 5.

10 For example see, Mr Peter Bremner, *Transcript 17 April 2008*, p. 38; and Mr Martin Byrne, *Transcript 17 April 2008*, p. 29.

Coasting trade licenses

- 3.10 Opinions about the licensing provisions of the Act focused on the conditions whereby a licence is granted. Specifically, there was discussion about the wage provision of section 288 and the subsidy provision of section 287.

Section 288

- 3.11 It was suggested that only requiring licensed vessels to pay Australian wages but not other Australian conditions violates the Act's intent.¹¹ Unions have argued that licences should only be granted to ships registered in Australia – effectively ensuring that the only foreign flagged ships operating on the Australian coast would be those under permit. For example, the MUA believes that the licensing provisions should be more prescriptive and recommends that in order to gain a license:

- the ship must be registered under the *Shipping Registration Act 1981*;
- the ship must be crewed by Australian nationals i.e. be Australian residents, or persons authorized to work in Australia;
- the Australian seafarers must be engaged under the terms of an Australian collective enterprise agreement; and
- the employer of Australian seafarers must be in compliance with the *Seafarers Rehabilitation and Compensation Act 1992*.¹²

- 3.12 The Australian Institute of Marine and Power Engineers (AIMPE) agrees with the MUA, noting that to be granted a coasting trade licence an applicant should meet the following requirements:

- ships licensed to participate in the Australian coastal shipping industry should be required to be registered under the *Shipping Registration Act 1981*;
 - ships licensed to participate in the Australian coastal shipping trade should be managed and operated by an Australian citizen, an Australian resident or a corporate entity registered in Australia;
 - all seafarers on board ships licensed to participate in the Australia coastal shipping trade should be Australian citizens, Australian residents or persons otherwise authorised to work in Australia and
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11 Melissa Park MP, *Submission No. 37*, p. 6.

12 MUA, *Submission No. 45*, p. 43.

all such persons should possess appropriate maritime qualifications issued by Australia; and

- the owners, managers, operators, employers and the seafarers working on [licensed] ships should be subject to all of the normal Australian laws with respect to immigration, industrial relations, taxation, health and safety.¹³

Section 287

- 3.13 Rio Tinto expressed concern that the exclusion of vessels receiving a bonus or subsidy from a foreign government under this section inhibits participation in domestic shipping by denying Australian seafarers the opportunity to work in licensed vessels on the coast.¹⁴ Rio Tinto noted that there are a number of vessels working on the Australian coast that are denied a licence because they are flagged in the United Kingdom and owned under a tonnage tax system which the Navigation Act considers to be a form of subsidy or bonus.¹⁵

Ministerial Guidelines

- 3.14 The permit and licensing provisions in Part VI of the Act are open to interpretation because of the Act's wording. Terms referring to availability and adequacy or subsidy and bonus, for example, are subjective and are not clearly defined in Part VI of the Act. To better guide Ministerial decision makers administering Part VI of the Act, *Ministerial Guidelines for Granting Licences and Permits to Engage in Australia's Domestic Shipping* are issued by the Minister.
- 3.15 The Guidelines, however, may not have always provided the clarity of direction required by Ministerial decision makers when administering Part VI of the Act. It has been suggested that there are 'uncertainties, grey areas and qualitative interpretations which abound in the permit administration [that] need rectification'.¹⁶ Ministerial Guidelines are reviewed and revised from time to time and previous revisions may have resulted in a 'liberalised administration of the permit guidelines'.¹⁷

13 AIMPE, *Submission No. 35*, p. 8 & 9.

14 Rio Tinto, *Submission No. 60*, p. 2.

15 Rio Tinto, *Submission No. 60*, p. 2.

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

17 MUA, *Submission No. 45*, p. 28.

- 3.16 The Australian Shipowners Association (ASA) advised the Committee that it has participated with the Department in a review of the Ministerial Guidelines but the outcome 'did not overcome the difficulties inherent in the administration of the permit system'.¹⁸
- 3.17 New guidelines were issued effective 1 August 2008. Changes to the Guidelines include a new preamble articulating the Government's policy on coastal shipping as well as the following:
- applications for single and continuing voyage permits will be made available to all licensed ship operators, the Australian Shipowners Association and maritime unions - assisting the Department of Infrastructure to establish whether an Australian ship is available;
 - details of single voyage permits issued, including the name of the ship, cargo, dates and ports of loading and discharge, will be published; and
 - permit holders who load cargoes that breach the terms of the permit will be required to provide a satisfactory explanation before future permits are issued.¹⁹
- 3.18 The Government has stated that it is 'committed to the fair administration of the permit system by increasing transparency and compliance to create a level playing field for the Australian shipping industry'.²⁰ It is expected that the recent changes to the Guidelines will assist in this regard; however, these changes do not address the inherent subjectiveness in the guidelines and the permit provisions in Part VI of the Act.

The financial costs

- 3.19 The arguments heard by the Committee, either in support of or against the permit system and the licensing provisions of Part VI of the Act, are focused, in part, on some of the issues already discussed, including the need for greater or less flexibility in the system and the Act's effect on the competitive neutrality of Australia's transport
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18 ASA, *Submission No. 29*, p. 72.

19 Media Release, The Hon Anthony Albanese MP, Changes to Domestic Shipping Permits, 26 June 2008, http://www.minister.infrastructure.gov.au/aa/releases/2008/June/AA067_2008.htm, accessed 14 July 2008.

20 Media Release, The Hon Anthony Albanese MP, Changes to Domestic Shipping Permits, 26 June 2008, http://www.minister.infrastructure.gov.au/aa/releases/2008/June/AA067_2008.htm, accessed 14 July 2008.

modes. What has not yet been discussed in this report is the underlying theme of much of the discussions surrounding Part VI—financial cost.

3.20 The cost of replacing ships is very high at the present time and so the option to utilise permit ships or charter ships under licence rather than bear the cost of ship replacement has been a benefit to ship owners and shippers.²¹

3.21 A more liberal administration of the permit system has also meant that Australian shippers have had access to lower cost shipping services because foreign flagged vessels have cheaper operating costs—in particular labour costs. The Committee received evidence suggesting cost differentials between foreign and Australian crews can range between one and three million dollars per annum²²:

A vessel such as the Iron Chieftain, which is basically a 50,000-tonne self-unloading vessel—a big vessel—should cost around \$6.9 million a year to run. Smaller vessels along the lines of the Goliath or the CSL Pacific lift about 25,000 tonnes and cost us \$5.9 million a year to run. They are both Australian vessels. An ITF vessel—or the sister ship to the CSL Pacific or the Goliath—like the Stadacona costs \$3.8 million. So on a like-for-like basis—vessel size—there is a \$2 million gap.²³

3.22 When discussing foreign versus Australian labour costs and the use of permits to address these costs, various arguments must be considered.

3.23 For example, it is often Australian conditions not wages that drive labour costs up. Australian crews accrue leave on the basis of 0.926 of a day for each day worked; this means that two people have to be employed for every job in an Australian ship.²⁴ While this might sound high, there are some issues to consider when examining the leave provisions for Australian crew:

- the leave available to Australian seafarers is a necessary condition of employment to retain persons in seagoing occupations and cannot realistically be reduced at a time when it is difficult to find experienced seafarers to work in ships;

21 CSR, *Submission No. 28*, p. 6.

22 ASA, *Submission No. 29*, p. 3.

23 Mr Christopher Sorenson, *Transcript 17 April 2008*, p. 105.

24 ASA, *Supplementary Submission No. 29.1*, p. 1.

- the leave factor is necessary to take into account the nature of seagoing employment: being confined to a ship, working in an isolated remote place;
- the leave factor in seagoing ships is less generous than the leave factor provided in the offshore oil and gas sector in which seafarers also find jobs; and
- the leave factor in Australian ships is probably not much different to the leave arrangements provided in mining and other remote engineering industrial activities in Australia.²⁵

3.24 Counter-arguments suggest that:

- the leave factor is a remnant of industrial gains achieved by the maritime unions through industrial persuasion in a capital intensive industry and are unnecessarily high in comparison to Australian standards ashore;
- the leave factor exacerbates the shortage of seafarers; and
- the leave factor is in excess of all but the most generous terms and conditions of employment available in the international shipping industry.²⁶

3.25 Furthermore, labour costs need not be the primary issue when considering the use of foreign shipping over Australian shipping. The Committee has been advised that competitiveness can overcome labour costs:

...the operating philosophy of the company and the cargoes that it has access to can have a lot to do with the competitiveness of that company. I mentioned the Scandinavian countries, which have very high cost crews. Admittedly today there are fewer ships crewed with nationals from those countries; however, the way they operate is very clever.²⁷

Conclusion

3.26 The Committee has canvassed various organisations seeking comment on their interpretations of Part VI of the Act. The Committee's questionnaire covered the following criteria in the Act:

25 ASA, *Supplementary Submission No. 29.1*, p. 2.

26 ASA, *Supplementary Submission No. 29.1*, p. 2.

27 Mr Peter Bremner, *Transcript 17 April 2008*, p. 42.

- ships in receipt of subsidies (s 287);
 - Australian wages (s 288 (3)(a));
 - availability (s 286 (1)(a));
 - adequacy (s 286 (1)(b)); and
 - public interest (s 286 (1)).
- 3.27 Responses to the Committee's questionnaire revealed only slight variances in interpretation of the Act's language. This would suggest that while the language could be better defined in the Act, it is in the application of the Act's Guidelines where the greatest potential for disagreement occurs. This supports evidence previously cited by the Committee, suggesting that the Guidelines contain 'uncertainties, grey areas and qualitative interpretations'.²⁸
- 3.28 This debate highlights that fact that the Australian coastal shipping industry would be better served by clearer guidance reflected in the Navigation Act, its regulations and ministerial guidelines.
- 3.29 The current government's stated policy is to ensure the competitiveness and sustainability of the coastal shipping sector within Australia's domestic transport sector. Implicit within this statement is the expectation that when at all possible, Australian ships utilising Australian crew, being paid Australian wages and conditions should be employed in the carriage of domestic cargo, as the Navigation Act originally intended.
- 3.30 Clarification of the licensing and permitting provisions of Part VI of the Act, so that its language better reflects the Act's intent, is the first step towards achieving the Government's policy. This will allow the coastal shipping industry to develop and compete within Australia's domestic transport sector without facing direct competition from international permit ships, which were intended to fill a capacity gap in the Australian shipping task rather than be utilised in favour of Australian shipping.
- 3.31 The Committee is aware that in 2000, the DITRDLG completed a review of the *Navigation Act 1912*.²⁹ This review did not consider Part VI of the Act. Therefore, the Committee recommends that the Government complete the review of the *Navigation Act 1912*, and then amend Part VI in order to clarify the language in the Act. This will

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

29 DITRDLG, *Supplementary Submission No. 15.1*, p. 1.

better align coastal shipping legislation with government's policy to foster a viable coastal shipping industry in a competitive domestic transport sector.

- 3.32 The Committee expects that the detailed responses to this questionnaire, found in submissions 11.1, 29.2 and 53.1, will be useful for those reviewing Part VI and should be taken into consideration.
- 3.33 These processes should be coordinated by the Reform Implementation Group referenced in Recommendation 14 of this report, in order that coastal shipping reform is progressed consistently over established timelines.

Recommendation 2

- 3.34 **The Committee recommends that the Government complete the 2000 review of the *Navigation Act 1912* and then amend Part VI to clarify language in the Act. This will better align coastal shipping legislation with government's policy to foster a viable coastal shipping industry in a competitive domestic transport sector.**

Submissions 11.1, 29.2 and 53.1 to this inquiry should be taken under consideration.

This process should be coordinated by the Reform Implementation Group referenced in Recommendation 14 of this report, in order that coastal shipping reform is progressed consistently over established timelines.

- 3.35 The Ministerial Guidelines will then need to be tightened so that permits are once again used by shippers as a means of coping with fluctuations in demand, and short periods of increased demand where existing ship capacity falls short.³⁰
- 3.36 The Committee recommends that the Government further amend the Ministerial Guidelines in order to clarify their language and better align the Guidelines with Government policy and any amendments made to the Navigation Act.

30 Mr Peter Bremner, *Transcript 17 April 2008*, p. 38.

- 3.37 Once again, it is important that reform of the Ministerial Guidelines is coordinated by the Reform Implementation Group referenced in Recommendation 14 of this report, in order that coastal shipping reform is progressed consistently over established timelines. Submissions 11.1, 29.2 and 53.1, may also be useful for those reviewing the Guidelines and should be taken into consideration.
- 3.38 The Committee is aware that governments are at liberty to change ministerial guidelines and it is concerned that future interpretations of the Ministerial Guidelines could create uncertainty and discord within the coastal shipping industry. Expanding the Regulations to include some previous Guidelines would provide certainty to industry and government and allow for a level of Parliamentary scrutiny – through the Senate Regulations and Ordinance Committee – that would reduce future interpretive flexibility within the Guidelines.
- 3.39 Therefore, in amending the Ministerial Guidelines, the Committee recommends that the Government consider whether some issues addressed within the Guidelines would be better articulated within the *Navigation (Coasting Trade) Regulations*.

Recommendation 3

- 3.40 **The Committee recommends that the Government further amend the *Ministerial Guidelines for Granting Licences and Permits to Engage in Australia's Domestic Shipping* to clarify their language and better align the Guidelines with Government policy and any amendments to the Navigation Act and its Regulations.**

These processes should be coordinated by the Reform Implementation Group referenced in Recommendation 14 of this report, so that coastal shipping reform is progressed consistently over established timelines. Submissions 11.1, 29.2 and 53.1 to this inquiry should be taken under consideration.

In amending the Ministerial Guidelines, the Committee recommends that the Government consider whether some issues addressed within the Guidelines would be better articulated within the *Navigation (Coasting Trade) Regulations*.

- 3.41 The Committee received evidence from a number of sources calling for the introduction of a 'single national maritime jurisdiction covering all commercial vessels'.³¹ It has been argued that separate permit systems in Queensland and Western Australia as well as varying state interpretations of the Uniform Shipping Laws Code are inefficiencies in the system that impact business.³²
- 3.42 In regards to the Queensland and Western Australian permit systems, the Committee notes that Part VI of the Navigation Act:
- ...can be extended under another provision of the Act to cover intrastate coastal trades where ships would normally operate under State/Northern Territory jurisdictions. Section 8AA of the Act provides an 'opt in' provision bringing a vessel within the ambit of the Act even when trading intrastate. A ship operator can exercise this option by applying to the Australian Maritime Safety Authority (AMSA).³³
- 3.43 While submitting an application to AMSA under Section 8AA may be somewhat inefficient, that alone is not sufficient reason to create a single national maritime jurisdiction. Inefficiencies created by cross jurisdictional safety regulation may be a stronger argument for uniform implementation of maritime regulation:
- A vessel can leave Albany in Western Australian and go to Derby in Western Australia – some 3,500 miles – and the requirements for that vessel are far less than for the vessel we operate from Darwin to Kalumbaroo in Western Australia to a remote community – some 635 miles...Onboard the lifesaving and fire appliance equipment and radio communications are nearly double what that vessel would be that travels 3,500 miles.³⁴
- 3.44 In 1999, the Council of Australian Governments (COAG) agreed to alter the jurisdictional basis for safety regulation of Australian trading ships from determination based on the current voyage pattern to determination based on the size of the ship (length/gross tonnage). The 2000 review of the Navigation Act supported these changes and

31 AIMPE, Submission No. 52, p. 4

32 Cement Industry Foundation, *Submission No. 6*, pp. 3 & 4; National Bulk Commodities Group, *Submission No. 10*, p. 7; Adelaide Brighton, *Submission No. 20*, p. 3; Mr Peter Hopton, *Transcript 21 May 2008*, p 31.

33 DITRDLG, *Submission No. 15*, p. 26.

34 Mr Peter Hopton, *Transcript 21 May 2008*, p 31.

recommended extending the safety and environmental protection regime to larger non-trading vessels.³⁵

- 3.45 On 26 March 2008, COAG agreed to an implementation plan for the Business Regulation and Competition Working Group (BRCWG) that included a request that Australian Transport Council (ATC) consider and report back to the BRCWG on implementation of a single national approach to maritime safety for commercial vessels. The implementation plan indicates that ATC will decide on a preferred approach in November 2008, with agreement on the details in March 2009.³⁶
- 3.46 The Committee expects that any amendments to the Navigation Act, its Regulations and Guidelines will take into account ATC recommendations regarding the implementation of a single national approach to maritime safety for commercial vessels.

Recommendation 4

- 3.47 **The Committee recommends that any amendments to the Navigation Act, its Regulations and Guidelines should take into account Australian Transport Council recommendations regarding the implementation of a single national approach to maritime safety for commercial vessels.**

Shipping Registration Act 1981

- 3.48 The *Shipping Registration Act 1981* was introduced because UNCLOS requires Australia to maintain a register of all ships flying the Australian flag (except for certain exempt ships, being mainly small ships). The Act requires that a vessel owned by an Australian entity be entered in the Australian register of ships, but foreign-owned vessels operating under permit are not deemed to be Australian and maintain foreign registry. The Act confers nationality on Australian ships and grants the right to fly the national colours; provides, in some situations, for the conferment of title in ships; and provides for the registration of mortgages.³⁷

35 DITRDLG, *Submission No. 15*, p. 46.

36 DITRDLG, *Submission No. 15*, p. 46.

37 DITRDLG, *Submission No. 15*, p. 43.

- 3.49 The Committee received little evidence regarding the *Shipping Registration Act 1981*. Those who chose to comment on the Act specified two areas of concern:
- s 12 (compulsory registration); and
 - s 12 (2) (registration exemption provision).
- 3.50 Section 12 of the Act requires all wholly or majority Australian-owned commercial vessels over twenty-four metres in length to be entered in the Australian Register of Ships.³⁸ It is the obligatory nature of the Act that concerns many maritime stakeholders in Australia.³⁹
- 3.51 It has been argued that compulsory registration is an outdated concept based on the principle that there should be a link between a ship's nationality of ownership and its registration. The ASA points out that 'this principle has lapsed internationally; with more than 50% of the world's fleet registered in places other than the nationality of the ship's owner'.⁴⁰ The reasons for this are economic. Many registries offer fiscal incentives that allow for greater international competitiveness. Australia's registry does not and because most ships operating continuously in coastal trades (and therefore licensed and imported and subject to Part II of the Navigation Act) are owned by Australian entities, compulsory registration renders these ships uncompetitive with foreign-owned and registered ships under permit, which are often in receipt of various fiscal and tax relief measures.⁴¹
- 3.52 Conversely, unions have argued that in keeping with the spirit of the Navigation Act, section 12 of the *Shipping Registration Act 1981* should not be amended and section 12 (2) should be repealed.⁴² Section 12 (2) allows a ship operated by a foreign resident under a demise charter to be exempt from the registration provisions.
- 3.53 This is not a new debate. These issues were highlighted in a 1997 review of the *Shipping Registration Act 1981* undertaken by the Commonwealth as part of its Commonwealth Legislation Review

38 *Shipping Registration Act 1981*, Section 12, http://www.austlii.edu.au/au/legis/cth/consol_act/sra1981254/s12.html, accessed 17 July 2008.

39 Sharp and Morris, *Independent Review of Australian Shipping: A Blueprint for Australian Shipping*, September 2003, p. 27.

40 ASA, *Submission No. 29*, pp. 67-68.

41 ASA, *Submission No. 29*, pp. 67-68.

42 AIMPE, *Submission No. 35*, p. 8; and MUA, *Submission No. 45*, p. 43.

Schedule – designed to investigate legislation which may restrict competition.⁴³ They were also noted in the IRAS report, which recommended an end to compulsory registration in order to take advantage of the initiatives discussed in the report.⁴⁴

- 3.54 The Committee has been tasked with making recommendations on ways to enhance the competitiveness of the Australian coastal shipping sector, competitiveness in this case referring to the competition between shipping and other domestic freight modes. Removing compulsory registration may be an issue for future consideration but at present, the Committee is concerned that the removal of compulsory registration could lead to increased overseas registration at a time when Australia is attempting to develop its coastal shipping fleet.
- 3.55 However, compulsory registration under the *Shipping Registration Act 1981* should not be a tool by which Australian business is stifled. If Australian ships are to be registered in Australia, ship owners should have access to the kinds of incentives which they are currently only able to access via overseas registration.

Incentives

- 3.56 Australian governments have, in the past, introduced shipping reform packages comprising various incentives all intended to grow the industry. In 1987, the *Ships (Capital Grants) Act 1987* was introduced to provide capital assistance for the purchase of vessels, and in 1989 a package of reforms was developed by the Shipping Reform Task Force which included an extension to capital grants and accelerated depreciation.⁴⁵ These reforms had a positive impact on the shipping industry in Australia. For example, between 1988 and 1994, thirty-six new and efficient vessels were introduced into the Australian fleet, representing an investment of over AUD \$1.6 billion.⁴⁶ European countries, as well, have introduced a variety of fiscal incentives to support and enhance their shipping industries.

43 Department of Workplace Relations and Small Business, Australian Maritime Safety Authority and Bureau of Transport and Communications Economics, *Review of the Shipping Registration Act 1981*, December 1997, p. iii, <http://www.infrastructure.gov.au/maritime/publications/>, accessed 17 July 2008.

44 Sharp and Morris, *Independent Review of Australian Shipping: A Blueprint for Australian Shipping*, September 2003, p. 27.

45 MUA, *Submission No. 45*, p. 27.

46 ASA, *Submission No. 29*, p. 99.

- 3.57 Throughout this inquiry, stakeholders have recommended that any new reform measures introduced by Government should be accompanied by fiscal incentives designed to grow the industry. Two fiscal measures in particular were discussed at length – a tonnage tax and accelerated depreciation.

Tonnage tax

- 3.58 The introduction of a tonnage tax for Australian registered ships would allow companies the option of paying tax based on the tonnage of their ships rather than on the profits of their trade.⁴⁷ This is beneficial in years where ships have made a lot of money but can have a negative impact in years where ships do not. Recently, ships have been highly profitable, so a tonnage tax regime is considered to be of particular economic benefit.⁴⁸
- 3.59 A tonnage tax has been introduced in several overseas jurisdictions including the UK, Belgium, Germany, Greece, Norway, Denmark and the USA.⁴⁹ In the UK, the tonnage tax regime (linked to a second register) was introduced to increase the number of UK registered ships and the UK's seafaring skills base by linking the tax to a requirement to train seafarers.⁵⁰ The tax has been successful in increasing the tonnage on the UK register and to a lesser extent the number of ships but it has not substantially increased the number of cadets due to an opt-out clause in the legislation.⁵¹
- 3.60 There is a general consensus across various maritime industry stakeholders that the introduction of a tonnage tax in Australia would have positive benefits for the industry. Both the AIMPE and MUA support an optional tonnage tax⁵² and the ASA is of the opinion that a tonnage tax option should be available to companies operating ships which are 'strategically and commercially managed in Australia'.⁵³

47 DITRDLG, *Submission No. 15*, p. 48.

48 Capt. Brett Whiteoak, *Transcript 16 May 2008*, pp. 40-42.

49 DITRDLG, *Submission No. 15*, pp. 48 & 49.

50 Leggate and McConville, Centre for International Transport Management, London Metropolitan University, *Tonnage Tax: is it working?*, Maritime Policy and Management, April-June 2005, Volume 32, No. 2, pp. 177-186.

51 Leggate and McConville, Centre for International Transport Management, London Metropolitan University, *Tonnage Tax: is it working?*, Maritime Policy and Management, April-June 2005, Volume 32, No. 2, pp. 184-85.

52 AIMPE, *Submission No. 35*, p. 10; MUA, *Submission No. 45*, p. 49.

53 ASA, *Submission No. 29*, p. 58.

- 3.61 The benefits, it has been suggested, would be two-fold: ship owners would be encouraged to register and remain registered in Australia and, by linking the tax to training requirements, the cost of training seafarers would be partially alleviated.⁵⁴
- 3.62 The IRAS report recommended that urgent consideration be given to the introduction of a tonnage tax.⁵⁵ That was in 2003 and the Committee is of the opinion that the need for such consideration has not diminished. The Australian Maritime Group (AMG) should therefore begin examining ways to introduce an optional tonnage tax regime in Australia that is linked to mandatory training requirements. Its introduction should then be coordinated with the implementation of other reforms recommended in this report.

Recommendation 5

- 3.63 The Committee recommends that the Australian Maritime Group examine ways to introduce an optional tonnage tax regime in Australia that is linked to mandatory training requirements.**

The introduction of an optional tonnage tax should then be coordinated with the implementation of other reforms recommended in this report by the Reform Implementation Group referenced in Recommendation 14.

Accelerated depreciation

- 3.64 Australian ships are growing older and are not being replaced. Fiscal measures (including accelerated depreciation) available to Australian ship owners in the early 1990s were such that investment in new shipping was attractive. By 1994, the shipping industry in Australia had invested approximately 1.6 billion dollars in new shipping and as a result, Australia had one of the youngest fleets in the world with an average age of eight years. This is no longer the case. Accelerated

⁵⁴ AMC, *Synopsis: Maritime skills, shortages and training forum*, *Exhibit No. 19*, p. 12.

⁵⁵ Sharp and Morris, *Independent Review of Australian Shipping: A Blueprint for Australian Shipping*, September 2003, p. 34.

depreciation measures in Australia were terminated in 1996,⁵⁶ and in the ensuing 12 years 'the world started to pass us by'.⁵⁷

- 3.65 There is an increasing demand and need for new tonnage in the Australian fleet and it has been suggested by a number of inquiry participants that the re-introduction of accelerated depreciation measures would assist in stimulating growth in the fleet.⁵⁸ This would have a positive impact on the size of the Australian fleet – with flow-on effects such as greater training opportunities – and introduce new vessels with modern designs which can improve on operating efficiencies and are more environmentally friendly.⁵⁹
- 3.66 CSR indicated that a depreciation of twenty per cent over five years (the effective working life of a vessel) would be 'very attractive' and would reflect in lower finance charges and reduced lease costs.⁶⁰ If the first twenty per cent was allowed in the year before delivery then the incentive would be greater because this would assist with the down payment to the shipyard.⁶¹
- 3.67 The Treasury noted that the shift from accelerated depreciation arrangements to a uniform capital allowance approach was undertaken because it:
- ...provided a more neutral – across various industries – outcome... because the then current accelerated depreciation arrangements had a built-in bias to capital-intensive industries [and it was believed that] it would be better to have a more neutral tax treatment in this area, rather than build in some implicit cost and possibly resource allocation bias through the depreciation arrangements.⁶²
- 3.68 Competitive neutrality across transport modes is important but in reviewing the need to provide fiscal incentives to one industry over another, the current state of Australia's coastal fleet and the benefits which could be derived from an enhanced fleet should be taken into consideration. Furthermore, the Committee has been advised that

56 MUA, *Submission No. 45*, p. 28.

57 Mr Lachlan Payne, *Transcript 21 April*, p. 8.

58 For example see, Mr Lachlan Payne, *Transcript 21 April*, p. 8; MUA, *Submission No. 45*, p. 28; Mr Martin Byrne, *Transcript 17 April 2008*, p. 30; CSR, *Submission No. 28*, p. 8; and SVITZER Australia, *Submission No. 23*, p. 8.

59 MUA, *Submission No. 45*, p. 28; and Mr Lachlan Payne, *Transcript 21 April*, p. 8.

60 CSR, *Submission No. 28*, p. 8

61 CSR, *Submission No. 28*, p. 8

62 Ms Laduzko, *Transcript 16 May 2008*, p. 77.

capping the effective life of an asset is something that exists in the road transport industry, where the cap on the effective life of long-distance trucks is approximately 7.5 years.⁶³

- 3.69 Accelerated depreciation has been successfully employed in past reform efforts in Australia and the Committee sees no reason why it should not be utilised again. Therefore, the Committee recommends the re-introduction of accelerated depreciation arrangements as part of the Government's fiscal response to coastal shipping reform.

Recommendation 6

- 3.70 **The Committee recommends the re-introduction of accelerated depreciation arrangements.**

The re-introduction of accelerated depreciation arrangements should be coordinated with the implementation of other reforms recommended in this report by the Reform Implementation Group referenced in Recommendation 14.

Migration Act 1958

- 3.71 The *Migration Act 1958* stipulates that crew members (other than Australians) of ships entering Australia must hold a Maritime Crew Visa (MCV). If a ship entering Australia is deemed to be imported under the Customs Act then the crew must hold a 457 Visa not a MCV.⁶⁴ This means that non-Australian crew on permit ships must have a MCV while non-Australian crew on licensed or registered ships need a 457. To gain a 457 Visa, the occupation must be gazetted and the Department of Immigration and Citizenship must be satisfied that there is insufficient Australian labour available to perform the work to be undertaken by the person for whom the Visa is requested.⁶⁵
- 3.72 The Committee has been advised that '457s are the exception rather than the rule in ships in Australia and Australian crews

63 Mr Lachlan Payne, *Transcript 21 April*, p. 8.

64 ASA, Submission No. 29, p. 66.

65 ASA, Submission No. 29, p. 66.

predominate;⁶⁶ therefore, the Migration Act protects Australian jobs.⁶⁷ The Department of Immigration and Citizenship concurs,⁶⁸ noting that the 457 Visa is intended to allow employers the option of filling positions using skilled overseas workers, only if they have been unable to meet their skill needs from the Australian labour market.⁶⁹

Foreign maintenance crews

- 3.73 This is a labour-cost debate. Concerns about the Migration Act have been raised because shippers and ship owners operating under licence and/or registration argue that, unlike permit vessels, they are not able to engage cheaper foreign maintenance crews (riding gangs) under MCVs:

What we have is a situation where a permit vessel can engage a riding squad and use a maritime crew visa as an appropriate visa for those people on those vessels. What they will say to us is, 'You have a licensed vessel. That's imported. We'll need a 457 and currently a riding squad member is not an approved occupation on the 457 list.' So you have these two vessels doing similar trades and they are not in a position to engage international best practice.⁷⁰

- 3.74 It has been proposed that 'the application of a maritime crew visa would be extended so that it would be an appropriate visa for riding squads working on licensed vessels'.⁷¹
- 3.75 The MUA believes that in regards to maintenance crews on coastal ships, 'if you are going to have additional maintenance capacity, then that should come out of the Australian workforce'.⁷² It has also been pointed out that:

CSL have used a combination involving 457 visas. They have brought tradespersons in to be able to supplement that. They have been able to attract tradespersons. They have not paid them a training rate; they have paid them a full integrated

66 ASA, Submission No. 29, p. 66.

67 ASA, Submission No. 29, p. 66.

68 Department of Immigration and Citizenship, Submission No. 49, p. 3.

69 Department of Immigration and Citizenship, Information booklet: *Sponsoring a temporary overseas employee to Australia*, p. 2, <http://www.immi.gov.au/allforms/booklets/1154.pdf>, accessed 18 July 2008.

70 Mr Westgarth, *Transcript 21 April 2008*, p. 50.

71 Mr Westgarth, *Transcript 21 April 2008*, p. 50.

72 Mr Paddy Crumlin, *Transcript 16 May 2008*, p. 36.

rating rate. So there are solutions and there needs to be an area of policy as to labour development.⁷³

- 3.76 Others have commented that maintenance projects rarely require specialist skills and such projects should represent an opportunity for Australian companies and labour to provide the service.⁷⁴
- 3.77 The Committee is of the opinion that should the Government choose to accept Recommendation 2, and proceed to tighten the Guidelines surrounding the issuing of permits, then licensed and Australian registered ships will not regularly suffer the labour cost disadvantage which arises from competing with permit ships utilising foreign maintenance crews. It would also appear to the Committee that the need for maintenance crews on coastal ships represents an opportunity for Australian companies and potential employees.

Maritime security

- 3.78 Security concerns were raised in relation to the MCV and the transport of High Consequence Dangerous Goods (HCDG) by permit ships.

Seafarer security checks

- 3.79 The Committee received evidence suggesting that the MCV, introduced at a cost of \$100 million dollars, 'has the potential to dilute the effects of the Maritime Security Identification Card (MSIC) and national security when used to replace Australian background checked workers on coastal voyages'⁷⁵:

...the MCV does not adequately plug the current security weakness that allows foreign seafarers to enter Australian waters and ports with security and background checks which do not match the standards applied to Australian seafarers and port workers. This is particularly so in relation to foreign seafarers employed on board ships to which a coastal trade permit has been issued.⁷⁶

- 3.80 The Committee has been advised that 'every ship seeking entry to Australia is subject to a comprehensive risk assessment and must provide certain evidence about their flag, crew, cargo and security

73 Mr Paddy Crumlin, *Transcript 16 May 2008*, p. 36.

74 Mr John Asome, *Submission No. 46*, pp. 3-4.

75 MUA, *Submission No. 45*, p. 72.

76 MUA, *Submission No. 45*, p. 72.

operations'.⁷⁷ Australian seafarers and port workers undergo a MSIC background check while foreign crew are required to obtain a MCV for entry into Australia. To obtain a MCV, a ship provides a list of its crew with relevant identification details (authenticated by the Australian Customs Service) which are then run through various Immigration, ASIO and law enforcement checks.⁷⁸

- 3.81 Should foreign seafarers require unsupervised access to Australian regulated maritime and offshore facilities, they are required to undergo a MSIC check as well.⁷⁹
- 3.82 In regards to MSICs:
- crew without a MSIC that require access to offshore facilities can be supervised by a MSIC holder;
 - background checking for the MSIC is done by AusCheck in the Attorney-General's Department and confirms identity and domestic criminal and intelligence checks; and
 - an MSIC is valid for five years. There is a recovery process, so the MSIC-issuing bodies are also responsible for recovery of those cards once they have expired. As soon as the card expires the maritime body that issued it would then seek recovery of that card.⁸⁰
- 3.83 The background checking is identical for Australians and foreigners wishing to gain unsupervised access to Australian regulated maritime and offshore facilities. Security standards for Australian seafarers and foreign seafarers only differ when they are onboard ship. In those instances, Australians have undergone an MSIC check while foreign seafarers have undergone security checks as part of the MSV process. The DITRDG maintains that the 'security risk posed by foreign seafarers is, in part, mitigated by DIAC's MCV application process' although the risks can never be fully mitigated.⁸¹
- 3.84 Further to its discussion with representatives of the Office of Transport Security (DITRDG), the Committee canvassed industry stakeholders asking their view on the adequacy of current background checks for foreign seafarers. The MUA reiterated its

77 DITRDG, *Submission No. 15*, p. 44.

78 Ms Philippa Power and Mr Graham Hanna, *Transcript 16 May 2008*, pp. 15-18.

79 Ms Philippa Power and Mr Graham Hanna, *Transcript 16 May 2008*, pp. 15-18.

80 Ms Philippa Power and Mr Graham Hanna, *Transcript 16 May 2008*, pp. 15-18.

81 DITRDG, *Submission No. 15*, p. 45.

position while the ASA and Shipping Australia was of the view that 'the current background check for foreign seafarers is more than adequate.'⁸²

[The MCV] is an appropriate measure which strikes a balance between Australia's national, security interests and the demands of the shipping industry. It allows the entry of foreign sea crew and enables continued, and effective shipping operations whilst strengthening Australia's border integrity.⁸³

- 3.85 In reviewing the evidence the Committee is satisfied that the current security regime covering foreign seafarers is adequate; however, given the substantial cost of the MCV program, the Committee recommends a one year review of the MCV be conducted to ensure the program is meeting its objectives.

Recommendation 7

- 3.86 **The Committee recommends a one year review of the Maritime Crew Visa be conducted to ensure the program is meeting its objectives.**

Carriage of High Consequence Dangerous Goods (HCDG) by permit ships

- 3.87 The MUA contends that permit applications should be denied when the specified cargo is HCDG, in particular security sensitive ammonium nitrate.⁸⁴ They believe that cargos such as security sensitive ammonium nitrate should only be carried in the coasting trade by Australian flagged vessels.⁸⁵
- 3.88 Foreign flagged ships carrying ammonium nitrate are 'subject to Australia's state controlled ship inspection program and are required to comply with international safety standards'.⁸⁶
- 3.89 The Committee is aware that Australia uses large amounts of ammonium nitrate. In 2007, 336,000 tonnes of ammonium nitrate were

82 Shipping Australia, *Supplementary Submission 11.1*, p. 6; and ASA, *Supplementary Submission No. 29.2*, p. 7.

83 Shipping Australia, *Supplementary Submission 11.1*, p. 6.

84 MUA, *Submission No 53.1*, p. 12.

85 MUA, *Submission No 53.1*, p. 12.

86 DITRDLG, *Submission No. 15*, p 44.

imported, of which 16,500 tonnes were transported around the Australian coast by foreign ships (seven voyages).⁸⁷ For security purposes, it would be preferable that dangerous good such as ammonium nitrate be transported by vessels registered in Australia, yet the availability of ammonium nitrate must not be hampered. Therefore, it will be necessary to continue allowing foreign vessels to transport shipments of ammonium nitrate until there are sufficient Australian vessels available for its transportation. Providing that the Ministerial Guidelines for the issuing of permits are tightened, the Committee expects that over time, fewer permit ships will be carrying HCDG on the coast.

The Seafarers' Rehabilitation and Compensation Act 1992 and The Occupational Health and Safety (Marine Industry) Act 1993

The Seafarers' Rehabilitation and Compensation Act 1992

- 3.90 The *Seafarers' Rehabilitation and Compensation Act 1992* (SRC Act) applies to vessels covered by Part II of the Navigation Act, including licensed vessels (under Part VI of the Navigation Act) operating on the Australian coast. The Seacare Scheme is the workers' compensation framework established by the SRC Act and is regulated by the Seacare Authority.
- 3.91 There is a problem with the interaction between the Navigation Act and the SRC Act. Under the SRC Act, the employer of seafarers on prescribed ships must obtain an insurance policy from an authorised insurer to cover them for their workers' compensation liabilities under the SRC Act. There is no requirement in the Navigation Act that an applicant should demonstrate that it can satisfy requirements under the Seafarers Act before being granted a coasting trade licence.⁸⁸ However, world-wide insurers will not provide cover for employers whose employees are subject to the SRC Act. Additional insurance must be sought, making insurance premiums higher for Australian operators.⁸⁹ In some instances, this problem has resulted in

87 DITRD LG, *Submission No. 15*, p 44.

88 Department of Education, Employment and Workplace Relations, *Submission No. 48*, pp 4-5.

89 ASA, *Submission No. 29*, p. 67.

a situation where a ship has been granted a coasting trade licence but the employer cannot comply with its obligations under the SRC Act.⁹⁰

- 3.92 Permit vessels operating on the coast are covered by different insurance which incurs less expensive premiums than those applied by the general insurance industry to employers of crews in ships covered by the SRC Act.⁹¹ It is argued that the financial costs associated with the SRC Act create a cost differential between licensed and permit ships resulting in an absence of competitive neutrality between the two.
- 3.93 The MUA has suggested that the SRC Act is in need of various reforms including the reduction of insurance premium costs to employers and the introduction of greater transparency of insurance arrangements.⁹²

The Occupational Health and Safety (Marine Industry) Act 1993

- 3.94 There are similar cost concerns in regards to the *Occupational Health and Safety (Marine Industry) Act 1993* (the OH&S (MI) Act). Like the SRC Act, the OH&S (MI) Act applies to vessels covered by Part II of the Navigation Act, including licensed vessels (under Part VI of the Navigation Act) operating on the Australian coast.
- 3.95 It is argued that licensed vessels are subject to a higher OH&S standard than permit vessels, which must comply with the IMO, International Safety Management Code, and therefore the operating costs of a licensed ship are higher than those of a permit vessel.⁹³
- 3.96 These issues were addressed in the IRAS Report and considered in a series of legislative reviews by the Seacare Authority in 2002 and 2003.⁹⁴ The Committee is also aware that the current government has considered the need for a review of the Seacare Scheme.⁹⁵
- 3.97 If, as it has been suggested, the SRC Act and the OH&S (MI) Act are impacting negatively on the Australian coastal shipping sector, then

90 Department of Education, Employment and Workplace Relations (DEEWR), *Submission No. 48*, pp 4-5.

91 ASA, *Submission No. 29*, p. 67.

92 MUA, *Submission No. 45*, pp. 13-14.

93 ASA, *Submission No. 29*, p. 67.

94 DEEWR, *Exhibit No. 20*.

95 The Hon Julia Gillard MP, speech to the Maritime Union of Australia National Conference, 9 April 2008, <<http://mediacentre.dewr.gov.au/mediacentre/gillard/releases/maritimeunionofaustralianationalconference.htm>>, accessed 22 July 2008.

there is clearly a need to amend the Acts. The Seacare Authority began the amendment process six years ago and its reviews should serve as a solid basis for further consultation prior to enacting legislative reform. The Committee recommends that the Reform Implementation Group referenced in Recommendation 14 of this report be charged with overseeing further review of both Acts. This review should be undertaken with the intention of supplementing and updating existing reform recommendations and therefore should be completed expeditiously. Timelines for the review should be set by the Reform Implementation Group and be consistent with its established timelines for the implementation of coastal shipping reform. Both Acts should then be amended.

Recommendation 8

- 3.98 **The Committee recommends that the Reform Implementation Group referenced in Recommendation 14 of this report be charged with overseeing further review of the *Seafarers' Rehabilitation and Compensation Act 1992* and the *Occupational Health and Safety (Marine Industry) Act 1993*. This review should be undertaken with the intention of supplementing and updating existing reform recommendations and therefore should be completed expeditiously. Timelines for the review should be set by the Reform Implementation Group and be consistent with its established timelines for the implementation of coastal shipping reform. Both Acts should then be amended.**

The Workplace Relations Act 1996

- 3.99 Ships operating continuously on the Australian coast under licence must employ seafarers who are paid the "current rates ruling in Australia". The Navigation Act identifies an Australian Pay and Classification Scale or a transitional award under the *Workplace Relations Act 1996* (WR Act) that applies to seafarers employed in the coastal trade as "evidence of the rates of wages in Australia for those seamen".⁹⁶ This is not applied to seafarers on permit ships.
- 3.100 In 2003, the High Court held that the Australian Industrial Relations Commission (AIRC) could hear matters dealing with award coverage

⁹⁶ Department of Education, Employment and Workplace Relations, *Submission No. 48*, p. 3.

for foreign crews on permit ships.⁹⁷ The AIRC was of the opinion that ‘applying the award to [permit] ships was not consistent with the objectives of the workplace relations legislation’ and may discourage productivity. The AIRC did not, however, rule out any form of award recognition’.⁹⁸

3.101 Subsequently, under the *Workplace Relations Amendment (Work Choices) Act 2005*, the WR Act was amended and with the introduction of the Regulations for Work Choices (Regulation 1.1):

...all foreign crew members working on foreign-registered ships and their foreign employers operating in Australian waters under a permit became exempt from the scope of the WR Act. The effect of the regulation was to also exclude non-citizen crews on permit ships from State and Territory industrial relations laws.

3.102 The MUA has recommended to the Committee the repeal of those provisions in the Work Choices legislation which exclude foreign crew on permit ships from the WR Act and state and territory industrial relations laws.⁹⁹

3.103 The Maritime Industry Seagoing Award is currently undergoing a modernisation process with a new award expected to be in place by 2010;¹⁰⁰ however, a new award would not encompass permit ships and their crew unless the current regulations are amended or repealed.¹⁰¹

3.104 The Committee sought advice on the possible impact of repealing Regulation 1.1¹⁰² and was advised that:

In the event that the reg were repealed, it is probable that the permit ships would then come under the scope of the Workplace Relations Act and, as a consequence, they would be subject to the applicable safety net.¹⁰³

3.105 Extending the award to permit ships could result in higher costs for those vessels and therefore higher costs for users of permit shipping. Given the high level of permits currently being issued under the

97 Department of Education, Employment and Workplace Relations, *Submission No. 48*, p. 3.

98 ASA, Supplementary Submission 29.2, p. 2.

99 MUA, *Submission No. 45*, p. 44.

100 Mr Michael Maynard, *Transcript 15 May 2008*, p. 4.

101 Mr Michael Maynard, *Transcript 15 May 2008*, p. 4.

102 Ms Catherine King, *Transcript 15 May 2008*, p. 4.

103 Mr Michael Maynard, *Transcript 15 May 2008*, p. 4.

existing guidelines, an increase in shipping costs through the removal of Regulation 1.1 could have negative economic implications. It is also not clear that increasing the costs of foreign shipping will make Australian shipping more competitive.¹⁰⁴

- 3.106 However, the Committee is hopeful that a reformed coastal shipping regulatory framework will result in a gradual increase in Australian ships operating on the coast and a decrease in the use of permit vessels. If such a decrease were to occur, then it would be beneficial to gradually phase out Regulation 1.1 and allow for the extension of the Maritime Industry Seagoing Award to seafarers on permit vessels.

104 ASA, Supplementary Submission No. 29.2, p. 3.

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.¹ This view corresponds with informal discussions the Committee has had with port representatives around the country but the Committee

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.²

- 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'.³ 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.⁴ This Committee's

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.⁵

- 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.⁶ 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.

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'⁷ but a paucity of comprehensive data has made it difficult to identify the magnitude and nature of the shortages and the affected sectors.⁸ 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.⁹ 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

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.¹⁰
- 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.¹¹ Some have argued that there is a lack of interest in maritime careers,¹² 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.¹³
- 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 dominated¹⁴ – 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.¹⁵
- 4.16 The selection of suitable cadet/traineeship candidates is also a challenge and the introduction of “familiarisation trips” for possible

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.¹⁶ 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.¹⁷ Under Australian law, Australia is obliged to implement the standards laid out in the STCW Convention as it sees fit.¹⁸ AMSA is the Australian authority required to certify that

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.¹⁹

- 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.²⁰ 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.²¹

- 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.²² This has added an extra layer of complexity for training institutions and has created problems for people moving between states.²³
- 4.23 There is also a Maritime Industry Training Package developed and endorsed by the Transport and Logistics Industry Skills Council.²⁴ The Maritime Industry Training Package (MITP) was implemented in 2001 and has been approved by federal, state and territory authorities.²⁵ 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.²⁶

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.²⁷
- 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.²⁸ A recent workshop examination of the issue of seatime has surmised that 'the validity of seatime is questionable'²⁹ 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.'³⁰
- 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

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.³¹

- 4.29 There may also be scope to adjust seetime training requirements based on specific skill sets for specific operations.³² 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.³³

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.³⁴ 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’.³⁵ 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.³⁶ When the Committee queried the Department of Education, Employment and

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.³⁷

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'³⁸ and that there is 'a separation between people with fishing qualifications and people with training qualifications'.³⁹ 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.⁴⁰

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.⁴¹

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'.⁴² 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:

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.⁴³

- 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'.⁴⁴

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.⁴⁵

- 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.⁴⁶ 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 sector⁴⁷ – for example, Hunter TAFE is currently involved in providing RPL for Australian Defence Industry staff⁴⁸ – but progress is slow. This is due to 'the myriad of conflicting state and

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 differences⁴⁹ 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.⁵⁰

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.⁵¹

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.⁵²

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.

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.⁵³
- 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.⁵⁴

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.⁵⁵

- 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.⁵⁶ 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.⁵⁷
- 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'.⁵⁸ Others choose not to train and instead 'focus their operations on luring valuable employees',⁵⁹ often with the promise of very high wages.⁶⁰
- 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'.⁶¹ Some inquiry participants have recommended the reintroduction of an industry wide levy,⁶² while

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.⁶³

- 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).⁶⁴
- 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.⁶⁵
- 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 ships⁶⁶ and the Evergreen line runs a training ship, which carries cargo between Taiwan and Japan.⁶⁷ 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.⁶⁸ Specifically, it was recognised that:

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.⁶⁹

- 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'.⁷⁰
- 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.⁷¹

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.⁷²
- 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.⁷³
- 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.⁷⁴ 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

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.⁷⁵

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.⁷⁶ It is also concerned that amending 23 AG ‘could not deliver a consistent outcome’⁷⁷:

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.⁷⁸

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

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

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.⁸⁰ 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.⁸¹

- 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'.⁸²

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.

Implementation and oversight

- 5.1 Once a national policy framework has been articulated, it will be necessary to implement the Government's chosen reforms and monitor reform outcomes to assess the success of policy implementation.
- 5.2 Much of the national governance oversight arrangements are already in place. Organisations such as the ones listed below are currently undertaking national policy initiatives which impact on shipping in this country and could be utilised to implement the reforms recommended in this report. They include:
- the Australian Maritime Group (AMG)¹;
 - various COAG working groups;
 - the National Transport Commission; and
 - Infrastructure Australia.

Australian Maritime Group

- 5.3 The AMG considers a range of maritime sector issues and provides policy recommendations to the Australian Transport Council (ATC) through the Standing Committee on Transport. The AMG has four sub-groups which advise on a number of issues:
- National Marine Safety Committee;
 - National Plan Sub-Group;

1 Comprised of representatives of state, Northern Territory and Commonwealth Government maritime agencies.

- Industry Advisory Committee; and
- Education Sub-Group.²

5.4 The AMG 2007-08 workplan is outlined in the following table and reflects the nature of the work currently being undertaken by the AMG:

Table 2.2 AMG 2007-08 Workplan

Goal 1	Enhance contribution of the maritime sector to the national interest
	➤ Best practice study of maritime sector/government interaction
Goal 2	Address issues of national importance
	➤ Maritime skills – stocktake of skills initiatives, promotion of maritime sector;
	➤ Meyrick Report – consultation and analysis;
	➤ Investigate “national ports and shipping research centre”;
	➤ Coastal shipping development;
	➤ Contribute to marine pests management; and
	➤ Environmental issues - identify and address priorities.
Goal 3	Deliver a progressive national harmonised regulatory framework for maritime activities
	➤ Expedite approvals of NMSC Standards and implementation;
	➤ Progress reforms to maritime safety jurisdiction; and
	➤ Assist implementation of MARPOL (international maritime pollution) legislation.
Goal 4	Engage key stakeholders in the future of the maritime industry
	➤ AMG Workshop

Source Jim Hallion, *Key Note Presentation: Maritime Stakeholder Workshop*, http://www.transport.sa.gov.au/pdfs/AMG_Shipping_Study_-_Maritime_Stakeholder_Workshop_presentation.pdf, accessed 16 June 2008.

COAG working groups

5.5 COAG has four working groups engaged in areas significant to the maritime sector. They are the:

- Productivity (education and skills) Working Group;
- Climate Change and Water Working Group;

2 Jim Hallion, *Key Note Presentation: Maritime Stakeholder Workshop*, http://www.transport.sa.gov.au/pdfs/AMG_Shipping_Study_-_Maritime_Stakeholder_Workshop_presentation.pdf, accessed 16 June 2008.

- Infrastructure Working Group; and
- Business Regulation and Competition Working Group.³

Input from the ATC can play an important role in ensuring that the plans implemented by these groups address the needs of the maritime sector.

National Transport Commission

- 5.6 The National Transport Commission (NTC) was established to assist Australian governments in achieving their jointly agreed objective of 'improving transport productivity, efficiency, safety and environmental performance and regulatory efficiency in a uniform or nationally consistent manner'.⁴
- 5.7 The NTC's role is to advise the ATC and:
- ...lead transport regulatory reform nationally to meet the needs of transport users and the broader community for safe, efficient and sustainable land transport. It contributes to a vision of the best national transport outcomes for Australia. To achieve this, it consults widely and work with industry and all levels of government to establish priority areas for transport regulatory reform.⁵
- 5.8 The NTC's roles and responsibilities as noted above do not include maritime transport issues. However, in December 2007 the Federal Minister for Infrastructure, Transport, Regional Development and Local Government tasked the NTC with developing 'a national transport policy framework, including a national infrastructure plan' in which all modes of transport will be covered.⁶

3 Information in COAG working groups and their agendas can be found in the COAG Communiqué, 20 December 2007, <http://www.coag.gov.au/meetings/201207/index.htm>, accessed 16 June 2008 and Jim Hallion, *Key Note Presentation: Maritime Stakeholder Workshop*, http://www.transport.sa.gov.au/pdfs/AMG_Shipping_Study_-_Maritime_Stakeholder_Workshop_presentation.pdf, accessed 16 June 2008, p. 26.

4 NTC website, <http://www.ntc.gov.au/ViewPage.aspx?page=A02300407400440020>, accessed 17 June 2008.

5 NTC website, <http://www.ntc.gov.au/ViewPage.aspx?page=A02300407400440020>, accessed 17 June 2008.

6 Jim Hallion, *Key Note Presentation: Maritime Stakeholder Workshop*, http://www.transport.sa.gov.au/pdfs/AMG_Shipping_Study_-_Maritime_Stakeholder_Workshop_presentation.pdf, accessed 16 June 2008.

- 5.9 As in the case of the COAG working groups, this direction represents an opportunity for maritime issues to be considered as part of a comprehensive national transport strategy.

Infrastructure Australia

- 5.10 Infrastructure Australia has recently been created to develop a strategic infrastructure blueprint for Australia's future infrastructure needs and, in partnership with the states, territories, local government and the private sector, facilitate its implementation.⁷
- 5.11 Over a period of twelve months Infrastructure Australia will be preparing a national infrastructure priority list that identifies the investment priorities and policy and regulatory reforms necessary to enable timely and coordinated delivery of national infrastructure investment.⁸
- 5.12 Infrastructure Australia's recommendations regarding port infrastructure will be of great interest to the maritime industry and could impact the future direction of coastal shipping in this country. Many submitters to this inquiry noted their concern regarding a lack of nation transport planning which included a maritime component.⁹ It is expected that the work of Infrastructure Australia will address this inequity and consider maritime infrastructure as part of its list of national infrastructure priorities.

Future national oversight

- 5.13 Each of these groups can play an important role in cooperatively progressing coastal shipping reform issues across federal and state jurisdictions once clear policy direction is provided by the Commonwealth Government; yet the Committee believes that coordinated reform implementation and performance monitoring will be integral to the success of any government reform agenda.
- 5.14 In reviewing existing national governance arrangements, the Committee considered possible oversight options available to

7 Infrastructure Australia website, <http://www.infrastructure.gov.au/department/infrastructureaustralia/>, accessed 17 June 2008.

8 Infrastructure Australia website, <http://www.infrastructure.gov.au/department/infrastructureaustralia/>, accessed 17 June 2008.

9 See for example, Ports Australia, *Submission No. 30*, p. 6 & MUA, *Submission No. 45*, p. 13.

progress the Government's coastal shipping reform agenda and avoid duplication of work across various organisations.

A shipping reform implementation group

- 5.15 It has been recommended to the Committee that the role of the AMG be altered so that its principal role would be to 'keep the ATC informed on the implementation of the new national shipping policy in accordance with agreed performance indicators'.¹⁰
- 5.16 It has been further proposed that a restructured AMG consist of advisory participants from the following organisations:
- Bureau of Infrastructure, Transport and Regional Economics (BITRE) (to model and report on performance against agreed indicators to enable the ATC to monitor and refine the policy framework as required);
 - Australian Maritime and Safety Authority (AMSA) (to advise on IMO and (marine related) ILO Conventions to which Australia is party);
 - National Transport Commission (to advise on the regulatory issues associated with ports);
 - Transport and Logistics Industry Skills Council (to advise on labour market trends, training outcomes and skill development issues); and
 - key industry stakeholders such as the Australian Shipowners Association and maritime unions.¹¹
- 5.17 Utilising a revised AMG within the existing structure would allow for current reporting lineage to remain so that ultimately, COAG would be informed of progress being made.
- 5.18 The Committee sees merit in this recommendation. It is concerned, however, that the composition of a revised AMG, as noted above, does not include representatives of:
- the states and Northern Territory;
 - the ITRDLG department (in addition to AMSA representatives);
 - Infrastructure Australia;

¹⁰ MUA, *Submission No. 45*, p. 14.

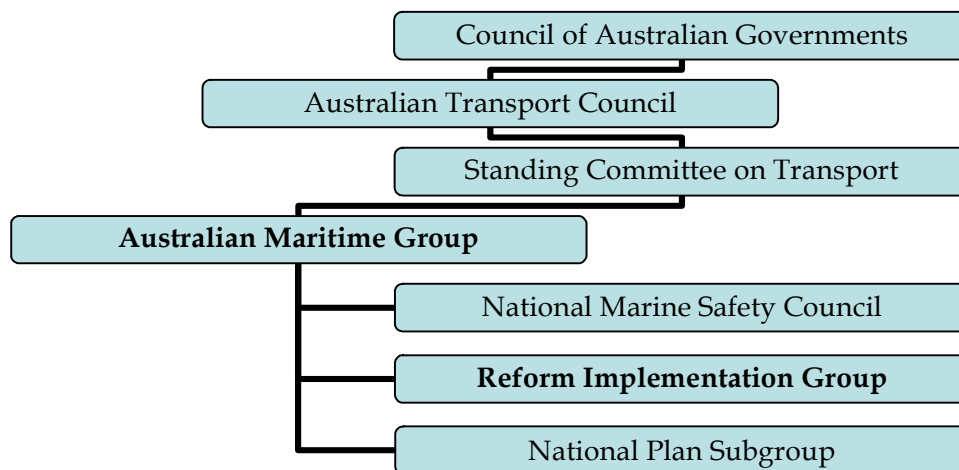
¹¹ MUA, *Submission No. 45*, p. 14.

- a newly formed training authority (as noted in Recommendation 10); or
- the Royal Australian Navy which could provide advice on civilian/defence cooperation matters.

5.19 Nor does it take into consideration existing sub-groups. Furthermore, a revised AMG would provide valuable oversight to progress shipping reform but it would not satisfy the need for a constituted, full-time reform implementation group to drive reform within specified time frames. In the initial stages of reform implementation a working group of this nature would be particularly valuable.

5.20 As the Committee has noted, there are currently several governance organisations undertaking review and reform in areas which impact on shipping in this country. A new reform implementation group under the supervision of a restructured AMG would need to undertake a liaison and coordination role to ensure that reform was progressing according to established policy goals and that duplication of work was avoided.

5.21 National marine policy governance arrangements in the future could take the following form:



5.22 The manner in which reform is implemented, coordinated and monitored is as important as the nature of the reform. The Committee recommends that any future Commonwealth Government reform initiatives be implemented by a reform implementation group which operates under a restructured AMG. A new AMG should comprise representatives from:

- The Department of Infrastructure, Transport, Regional Development and Local Government – including AMSA;
- state governments and the Northern Territory;
- National Transport Commission;
- Transport and Logistics Industry Skills Council;
- Infrastructure Australia;
- a national training authority (as noted in Recommendation 10);
- The Royal Australian Navy (in an advisory capacity); and
- key industry stakeholders such as the Australian Shipowners Association and maritime unions.

A restructured AMG should also retain its current sub-groups in order to advise the Reform Implementation Group on their portfolios.

5.23 Initially, specific time-frames and performance milestones should be established for the Reform Implementation Group and reported on by the BITRE. Once these have been met the AMG may decide to disband the group and continue monitoring performance outcomes through information provided by the BITRE.

5.24 The AMG should report regularly to the ATC, which, in turn would report on the work of the Reform Implementation Group to COAG.

Recommendation 14

5.25 **The Committee recommends that any future Commonwealth Government reform initiatives be implemented by a reform implementation group which operates under a restructured Australian Maritime Group. A new Australian Maritime Group should comprise representatives from:**

- **The Department of Infrastructure, Transport, Regional Development and Local Government – including AMSA;**
- **state governments and the Northern Territory;**
- **National Transport Commission;**
- **Transport and Logistics Industry Skills Council;**
- **Infrastructure Australia;**
- **a national training authority (as noted in Recommendation 10);**
- **The Royal Australian Navy (in an advisory capacity); and**
- **key industry stakeholders such as the Australian Shipowners Association and maritime unions.**

A restructured Australian Maritime Group should also retain its current sub-groups in order to advise the Reform Implementation Group on their portfolios.

Specific time-frames and performance milestones should be established for the Reform Implementation Group and reported on by the Bureau of Infrastructure, Transport and Regional Economics. Once these have been met, the Australian Maritime Group may decide to disband the Reform Implementation Group and continue monitoring performance outcomes through information provided by the Bureau of Infrastructure, Transport and Regional Economics.

The Australian Maritime Group should report regularly to the Australian Transport Council, which, in turn would report on the work of the Reform Implementation Group to COAG.

5.26 Coastal shipping reform will require a long-term view by government. This report is a starting point and the Committee is aware that its recommendations are not exhaustive. Throughout the course of the reform review and implementation process other strategies may need to be considered and structural adjustment support provided. A systematic, staged approach to reform is necessary because the Australian coastal shipping industry will be beginning this process from a low point. That should not, however, restrict the reform process from moving forward in a timely fashion. The Australian coastal shipping industry is an integral part of the Australian economy and its revitalisation requires action.

Catherine King MP

Chair

October 2008



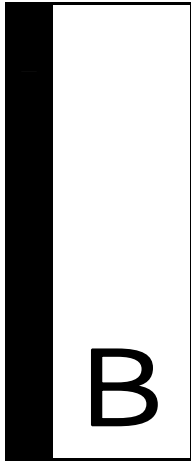
Appendix A – List of Submissions

- 1 Mr Shenal Basnayake
- 2 Sea Corporation Pty Limited
- 3 Brisbane Marine Pilots Pty Limited
- 4 Canada Steamship Lines Australia Pty Limited
- 4.1 Canada Steamship Lines Australia Pty Limited SUPPLEMENTARY
- 5 Bringing to Life the Science of Organisational Behaviour
- 6 Cement Industry Federation
- 7 Fremantle Ports
- 8 Port Kembla Port Corporation
- 9 The Company of Master Mariners of Australia Limited
- 10 National Bulk Commodities Group Inc
- 11 Shipping Australia Limited
- 11.1 Shipping Australia Limited SUPPLEMENTARY
- 11.2 Shipping Australia Limited SUPPLEMENTARY
- 12 Master Mariners of Australia Limited
- 13 Australian National Centre for Ocean Resources & Security (ANCORS)
- 14 Boral Australian Gypsum Limited
- 15 Department of Infrastructure, Transport, Regional Development & Local Government

- 15.1 Department of Infrastructure, Transport, Regional Development & Local Government SUPPLEMENTARY
- 16 BP Shipping
- 17 WA Maritime Training Centre Fremantle - Challenger TAFE
- 18 Challenger TAFE
- 19 Australian Maritime College
- 20 Adelaide Brighton Limited
- 21 iXSurvey Australia Pty Limited
- 22 Chamber of Commerce & Industry of WA
- 23 SVITZER
- 24 Caltex Australia Limited
- 25 Department of Resources, Energy & Tourism
- 26 Thompson Clarke Shipping Pty Limited
- 27 Attorney-General's Department
- 28 CSR Limited
- 29 Australian Shipowners Association
- 29.1 Australian Shipowners Association SUPPLEMENTARY
- 29.2 Australian Shipowners Association SUPPLEMENTARY
- 30 Ports Australia
- 31 Visy
- 32 Australian Workers Union
- 33 Hunter TAFE
- 34 Australian Coastal Shipping
- 35 Australian Institute of Maritime & Power Engineers
- 36 Sugar Australia Pty Limited
- 37 Melissa Parke MP
- 38 ANL Container Line Pty Limited
- 39 Hon Alannah MacTiernan
- 40 ASP Ship Management Pty Limited

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- 41 TT Shipping Pty Limited
 - 42 IMarEST
 - 43 Mr Anthony O'Hare
 - 43.1 State Shipping Line Pty Limited SUPPLEMENTARY
 - 44 Seagull Winds Pty Limited
 - 45 Maritime Union Of Australia
 - 46 Mr John Asome
 - 47 Mr Peter Brohier
 - 47.1 Mr Peter Brohier SUPPLEMENTARY
 - 47.2 Mr Peter Brohier SUPPLEMENTARY
 - 47.3 Mr Peter Brohier SUPPLEMENTARY
 - 47.4 Mr Peter Brohier SUPPLEMENTARY
 - 48 Department of Education, Employment & Workplace Relations
 - 48.1 Department of Education, Employment & Workplace Relations
SUPPLEMENTARY
 - 49 Department of Immigration & Citizenship
 - 50 Department of Defence
 - 51 Minister Joe Tripodi
 - 52 Australian Institute of Maritime & Power Engineers
 - 53 Maritime Union Of Australia
 - 53.1 Maritime Union Of Australia SUPPLEMENTARY
 - 54 Attorney-General's Department
 - 55 urbis
 - 56 Port of Brisbane Corporation
 - 57 Logan City Council
 - 58 Mr Frank Beaufort
 - 59 Sea Freight Council of Australia
 - 60 Rio Tinto Shipping
 - 61 Navy League of Australia

- 62 Woolworths Limited
- 63 Captain Fred Ross
- 64 Treasury
- 65 Department for Transport, Energy & Infrastructure
- 66 Australian Maritime College
- 67 Coral Princess Cruises
- 68 Fortescue Metals Group



Appendix B – List of Exhibits

- 1 Sea Transport Corporation, *Education of an Innocent Australian*, December 2007, Ausmarine.
- 2 Sea Transport Corporation, *Australian Coastal Shipping: A Compelling Environmental Strategy*.
- 3 The Company of Master Mariners of Australia Limited, *Qualifications in the Australian and International Maritime Industry*, (Related to Submission No. 9)
- 4 Chamber of Commerce & Industry of WA, *Human Capital Discussion Paper*, (Related to Submission No. 22)
- 5 South Australian Government, *Throughput Volume and Commodity Estimates for South Australia Ports 2005*.
- 6 Challenger TAFE, WA Maritime Training Centre, Fremantle April 2008.
- 7 Maritime Union of Australia, *An Island Needs Ships*, 2008.
- 8 urbis, *The Great South West*.
- 9 Royal United Services Institute of New South Wales
- 10 Mr Mark Luchetti, *An Introduction to Hull Surface Treatment HST Technology*.
- 11 Department of Infrastructure, Transport, Regional Development & Local Government, *Attachment D* - related to supplementary submission 15.1.

- 12 Australian Maritime Defence Council, *Working Group Initial Scoping Report*, 12 September 2007.
- 13 Australian Maritime Defence Council, *AMDC Working Group Action Plan*, 2008-9
- 14 Sea Freight Council of Western Australia
- 16 Australian Maritime Defence Council, Department of Defence - *Response to Questions from the Coastal Shipping Inquiry Public Hearing Canberra 16 May 2008*.
- 17 CONFIDENTIAL
- 18 Maritime Union of Australia, *Revival of Australian Shipping*, Draft report, April 2008.
- 19 Australian Maritime College, *Synopsis Maritime Skills, Shortages & Training Forum*, July 2008.
- 20 Department of Education, Employment & Workplace Relations, copy of the report and covering letter from the Seacare Authority to the Minister for Employment & Workplace Relations, 13 November 2002.



Appendix C – List of Witnesses & Public Hearings

Thursday, 17 April 2008 - Sydney

Individuals

The Hon Peter Morris

Australian Institute of Marine & Power Engineers

Mr Andrew Williamson, Vice President

Mr Henning Christiansen, Federal Secretary

Mr Martin Byrne, Assistant Federal Secretary

Australian Workers Union

Mr Simon Efron, National Policy & Research Officer

Canada Steamship Lines Australia Pty Limited

Mr Ian Ives, General Manager

Chris Sorensen, Managing Director

CSR Limited

Mr Martin Jones, General Manager Government Relations

Mr Peter Bremner, General Manager, Shipping

Mr Martin Jones, General Manager, Government Relations

Hunter TAFE

Mr William Elliott, Head Teacher

Mr Neil Owen, Associate Faculty Director

**Manufacturing, Engineering, Construction & Transport Curriculum Centre
TAFE NSW**

Mr Fulgentius D'Souza, Manager Transport & Distribution

Maritime NSW

Mr Tony Middleton, General Manager, Ports and Shipping

Maritime Officers Union

Captain Fred Ross, Director, Maritime Policy

National Bulk Commodities Group Inc

Mr Dale Cole, Executive Chairman

Port Kembla Port Corporation

Mr Dom Figliomeni, Chief Executive Officer

Ports Australia

Mr David Anderson, Executive Director

Shipping Australia Limited

Mr Kevin Clarke, Director

Mr Ken Fitzpatrick, Director

Mr Llewellyn Russell, Chief Executive Officer

Monday, 21 April 2008 - Melbourne

ANL Container Line Pty Limited

Mr Christopher Schultz, General Manager, Business Development

Australian Shipowners Association

Ms Teresa Hatch, Director - Maritime Operations

Mr Lachlan Payne, Chief Executive

Shipping Australia Limited

Mr Ian Redfern, General Manager, Coastal Trades

Visy

Mr Douglas Lukin, Global Director - Supply Chain

Tuesday, 29 April 2008 - Launceston

Australian Maritime College

Dr Laurie Goldsworthy, Senior Lecturer (Engineering)

Professor Barrie Lewarn, Director - Maritime Transport Policy Centre

Professor Malek Pourzanjani, Principal/Pro Vice Chancellor

Southern Shipping Co Pty Limited

Mr Geoffrey Gabriel, Managing Director

TT Shipping Pty Limited

Mr Kevin Maynard, Company Secretary

Mr Geoff Wood, National Manager - Human Resources & Industrial Relations

Wednesday, 7 May 2008 - Adelaide

Adelaide Brighton Limited

Mr Mark Chellew, Managing Director

Department for Transport, Energy & Infrastructure SA

Ms Trudi Meakins, Executive Director - Policy & Planning

Flinders Ports

Mr Stewart Lammin, General Manager Business Development

Inchcape Shipping Services

Mr Kenneth Brian, Regional Managing Director

Mr Gregory Burk, National Operations Manager

Thursday, 8 May 2008 - Perth

Challenger TAFE - WA Maritime Training Centre

Mr Kingsley Waterhouse, Director

Ms Raewyn Menzies, Program Manager

Department for Planning & Infrastructure WA

Mr David Harrod, General Manager

Mr Mark Brownell, Freight Advisor, Sea Freight Council

Fremantle Ports

Mrs Kerry Sanderson, Chief Executive Officer

Captain Allan Gray, Manager Marine & Ports Operations

Sea Corporation Pty Limited

Mr Stephen Karp, General Manager

Sea Freight Council

Mr John Oliver, Council Member

Thursday, 15 May 2008 - Canberra

Individuals

Mr Peter Brohier

Attorney-General's Department

Ms Maree Hume, Principal Legal Officer

Ms Elizabeth Kelly, Executive Director, AusCheck Division

Ms Jamie Lowe, Assistant Secretary, Business Development and Governance, AusCheck Division

Mr Alexander Webling, Implementation Manager, Critical Infrastructure Protection Branch

Australian Institute of Marine & Power Engineers

Mr Henning Christiansen, Federal Secretary

Mr Martin Byrne, Assistant Federal Secretary

Cement Industry Federation

Mr Peter Klose, Chair, Transport Committee

Department of Education, Employment & Workplace Relations

Mr Patrick Cremen, Acting Branch Manager, Skills Branch

Mr Scott Evans, Assistant Secretary, International Relations Branch

Mr Ivan Neville, Branch Manager, Labour Supply and Skills Branch

Ms Melissa Ryan, Branch Manager, Commonwealth Safety & Compensation Policy Branch

Mr Michael Maynard, Group Manager, Workplace Relations Implementation Group

Seacare Authority

Mr Martin Dolan, Deputy Chair

Friday, 16 May 2008 - Canberra

Attorney-General's Department

Mr Julian Yates, Acting First Assistant Secretary, Territories and Native Title Division

Ms Karren Stewart, Acting Assistant Secretary, Territories East Branch

Australian Maritime Safety Authority

Mr Mike Kinley, General Manager, Maritime Operations Division

BP Australia Pty Limited

Mr Gavin Jackman, Director, Government Affairs

Mr Brett Whiteoak, Regional Shipping Manager

Department of Defence

Mr Andrew Mackinnon, Acting Director General, Navy Strategic Policy & Futures

Commander Robert Spencer, Project Officer, Australian Maritime Defence Council

Department of Infrastructure, Transport, Regional Development & Local Government

Mr Michael Sutton, Acting Executive Director

Mr Andrew Wilson, Acting Deputy Secretary

Ms Philippa Power, General Manager, Maritime & Surface Security,
Office of Transport Security

Mr Graham Hanna, Section Head, Identity Security Section, Office of
Transport Security

Department of Treasury

Mr Kim Salisbury, Senior Adviser

Maritime Union of Australia

Mr Paddy Crumlin, National Secretary

Mr Rod Pickette, Policy Executive Officer

State Shipping Line Pty Limited

Mr Anthony O'Hare, Chief Executive Officer

Mr Alfred Willings, Chartering Manager

Wednesday, 21 May 2008 - Brisbane**Perkins Shipping Limited**

Mr Peter Hopton, Executive Director

Port of Brisbane Corporation

Mr Peter Keyte, General Manager, Port Operations

Sea Freight Council of Queensland Ltd

Chris Mangan, Chief Executive Officer

Mr William Robson, Director

Sea Transport Corporation

Mr Stuart Ballantyne, Chief Executive Officer