

**SUBMISSION**  
**to the**  
**HOUSE STANDING COMMITTEE ON INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT**  
**AND LOCAL GOVERNMENT**  
**INQUIRY INTO COASTAL SHIPPING POLICY AND REGULATION**

**Prepared by the**  
**MARITIME TRANSPORT POLICY CENTRE**  
**of the**  
**AUSTRALIAN MARITIME COLLEGE**

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**SUMMARY**

Whilst it is laudable to review coastal shipping policy it is hoped that this review is a first step in reviewing the totality of Australia's shipping policies, bearing in mind the inextricable links between international and coastal sea transport policy. It is our view that policy settings for the future need to be based on a balanced set of criteria which should include social, technological, environmental and economic factors.

Australian coastal shipping policy is encapsulated in the Navigation Act and relates to licenses and permits to trade on the Australian coast. The intent of the policy, which provides a level of support for the Australian sea transport industry, has been lost over time. Australian coastal sea transport is generally not competitive with land transport due in great part to the way the different modes are costed and the lack of supportive policy settings for Australian sea transport. Because some licensed vessels and all permit vessels are not Australian registered vessels they do not have to comply with a raft of Australian legislation whilst trading in Australia's territorial waters. It seems patently unfair that Australian registered, non-registered licensed, and permit vessels carrying interstate cargoes in Australia's territorial waters should be treated differently and in such a manner which almost certainly disadvantages Australian registered vessels.

The recommendations made in the Australian Maritime College's submission (December 2006, page 7) to the Senate Standing Committee on Employment, Workplace Relations and Education Inquiry into Workforce Challenges in the Transport Industry are still valid as they identify a number of strategies which will assist in developing a skilled maritime workforce. The reintroduction of an industry wide training levy should also be considered.

Detailed comment on complex issues such as competitive neutrality, environmental and safety impacts requires further research, but on balance a policy which provides greater support to coastal sea transport appears to be an attractive proposition.

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## PREAMBLE

This submission is made by the Maritime Transport Policy Centre of the Australian Maritime College (AMC). The Maritime Transport Policy Centre (MTPC) is an outcome of the maritime transport industry forum organised by the Australian Maritime College in February 2007. The MTPC is a 'think tank' which seeks to:-

- Identify national and international policy issues and maritime transport matters of national significance which require research
- Facilitate research into identified matters
- Promote, promulgate and publish results which offer advice and comment to government and industry so as to help inform policy on maritime transport

The work of the MTPC encompasses the wide range of issues which impinge upon maritime transport. Apart from the many matters (e.g. operational, environmental, commercial, technical, social, legal and developmental ) associated with shipping and ports, the work of the MTPC also includes fields such as logistics, the intermodal transport chain, and the marine environment where these impinge on maritime transport.

## INTRODUCTION

The international sea transport industry is a highly competitive global industry. For any developed country to retain its indigenous sea transport industry requires the support of the government.

Clearly, the governments of many developed countries support their sea transport industry through a diverse range of policies. In essence, policy makers have to answer some fundamental questions:-

1. Do we want a sea transport industry i.e. what are the pros and cons of an indigenous sea transport industry?
2. If the pros are considered to outweigh the cons, how does the government 'support' its indigenous sea transport industry to achieve its objectives?

As globalisation has progressed in the last 25 – 35 years, developed countries have taken a 'commercial' approach to their policy settings such that international sea transport tends to have policy settings which make it internationally competitive in its chosen (niche) market, whilst coastal sea transport tends to have policy settings which make it competitive with land transport and/or meet national strategic objectives. Because international and coastal sea transport operate in quite different markets this means the policy settings required for each are frequently quite different. For example, the creation of second registers mainly benefits international sea transport whilst cabotage laws mainly benefit coastal sea transport.

It is increasingly recognised that we actually live in a global society, rather than just an economy. This means that policy settings for the future need to be based on criteria which should, as a minimum, include social and environmental factors.

**TERM OF REFERENCE 1** (Nature and characteristics of the Australian shipping industry and the international and coasting trades)

In world terms the Australian sea transport industry is small but, because our international trade is almost exclusively transported by sea, Australia is among the top ten countries generating demand for sea transport. It is arguable that the Australian sea transport industry is in this current situation because of a 'colonial' view of shipping i.e. Australia is content to just sell its commodities (mainly f.o.b.) but has not been particularly effective at leveraging its position as a major supplier to enhance the society/economy through appropriate policy settings. Many developed countries support their sea transport industries such that they are able to successfully operate in the 'higher end' niche markets e.g. chemical, gas, container, and passenger. If developed countries, such as Norway and Denmark, make political decisions to have policy settings which support an indigenous sea transport industry and bring net benefit to the society, then there is reason to believe that this could also occur in Australia.

The policy of some countries is to reserve their coastal trades exclusively for their national flag fleet as this is considered 'to be in the national interest'. In the context of Australia's coastal trade, the Australian coastal sea transport industry has been reduced to a level where it predominantly carries cargoes which cannot easily be carried by an alternative mode of transport. It is arguable that the Australian sea transport industry is in this current situation because of two key reasons, namely:-

- The intent of the policy, encapsulated in the Navigation Act and relating to licenses and permits to trade on the Australian coast, has been lost over time.
- Australian coastal sea transport is generally not competitive with land transport due in great part to the way the different modes are costed and the lack of supportive policy settings for Australian sea transport.

**TERM OF REFERENCE 2** (Policy and regulatory arrangements in place for the coastal shipping sector)

Policies which impact upon Australian coastal sea transport are not supportive of the sector or conducive to its development. In its submission (November 2006, paragraphs 3.7 – 3.13) to the Senate Standing Committee on Employment, Workplace Relations and Education Inquiry into Workforce Challenges in the Transport Industry, the Maritime Union of Australia (MUA) identifies two key points, namely:-

- Current policy provides no support or incentives for investment in Australian sea transport.
- Policy and practice in relation to coastal shipping weakens an already weak Australian coastal sea transport regime.

Since the ending of the investment incentive scheme for Australian sea transport operators in the mid-nineties, there has been a marked decline in the number and capabilities of the Australian licensed fleet. This clearly has an impact on the availability of Australian licensed vessels to carry Australian cargoes for the Australian coastal trades. It is arguable that the coastal trade permit

system was designed to cover the occasional situation when a licensed vessel is not available. With the decline in numbers and capabilities of the licensed fleet, the existence and use of the permit system has, de facto, opened the coastal trades to any sea transport operator.

The conditions for licensing vessels to trade on the Australian coast, as set out in the Navigation Act (Part VI), are weak in comparison to the laws governing the coastal trades of some other nations. The key provision for a vessel to be licensed (Navigation Act, Section 288-289) is that the seamen employed on the ship shall be paid Australian rates of wages. There is no requirement for licensed vessels to employ Australian seafarers or to be Australian registered.

Because some licensed vessels and all permit vessels are not Australian registered vessels they do not have to comply with a raft of Australian legislation whilst trading in Australia's territorial waters. It seems patently unfair that Australian registered, non-registered licensed, and permit vessels carrying interstate cargoes in Australia's territorial waters should be treated differently and in such a manner which almost certainly disadvantages Australian registered vessels.

**TERM OF REFERENCE 3** (Strategies for developing an adequate skilled maritime workforce in order to facilitate the growth of the Australian coastal shipping sector)

Noting the increasing shortage of experienced officers at sea, any strategy to develop a skilled workforce for an expanded coastal shipping sector needs to take account of the fact that there is a highly competitive international market for well qualified, English speaking seafarers. Additionally, the average time seafarers spend in the sea transport industry is about 7 to 10 years, as many sectors of the shipping industry have drawn upon seafarers to fill highly skilled roles in ports, terminals, stevedoring, pilotage, marine surveying, marine safety, ship management etc.

In its submission (December 2006, page 7) to the Senate Standing Committee on Employment, Workplace Relations and Education Inquiry into Workforce Challenges in the Transport Industry the AMC made the following recommendations:-

"The future of the Australian economy, national security, and defence is dependent on a well trained and high quality maritime human resource, to support both the 'sea going' and 'shore based' maritime industries. Based on this AMC recommends in this submission that the Australian Government:

1. Develop policies to encourage the growth of the Australian shipping industry and 'flagging back' (by introducing a tonnage tax regime, for example).
2. Develop policies to encourage seafaring as a profession (such as tax exemptions for seafarers).
3. Consider offering additional fee support or fee waivers to encourage young Australians to undertake maritime training and education.
4. Develop well focused initiatives to maximise training within the maritime industries (e.g. the UK Government's support for seafarer training is focused on the Support for Maritime

Training scheme, known as SMarT, which assists companies to provide training for the merchant navy and so helps to develop an adequate supply of UK maritime expertise).

5. Relax the visa requirements for overseas applicants who wish to gain Australian seafaring qualifications and certificates of competency.
6. Continue and strengthen its support for AMC as the national provider of maritime education and training by increasing “..... funding and providing for its unique role as a dual sector institution”.

Because of the interlinked nature of Australian international and coastal sea transport the above recommendations contain valid strategies to facilitate the development of a skilled maritime workforce for the Australian coastal shipping sector.

There is some evidence that potential trainee officer recruitment is not the key issue; however, because of the nature of seafarer training programs (largely dictated by the International Maritime Organisation’s Safety, Certification and Watchkeeping Convention) there is an issue related to obtaining sufficient training berths for trainees aboard ships. The reasons for this include:-

- The relatively small number of ‘Australian’ ships available
- Disincentives when Australian seafarers work on foreign flag unlicensed ships
- Lack of programs which can be used by employers to support seafarer training

In addition, there is some reluctance by some employers in the international sea transport industry to engage in seafarer training because as soon as their trainees become qualified they are attracted to other sectors of the sea transport industry which have not contributed to the costs of training. Some years ago there was an industry training levy scheme in place which ensured training costs were spread throughout the entire industry. This practice fell into disuse, but it is instructive to note that the Senate Standing Committee on Employment, Workplace Relations and Education Inquiry into Workforce Challenges in the Transport Industry found (recommendation 5 ) “...that an industry wide levy be applied to all operators in all sectors of the transport and logistics industry”. This is a strategy which could assist in facilitating the development of a skilled maritime workforce for the Australian coastal shipping sector.

**TERM OF REFERENCE 4** (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)

Current coastal shipping policy clearly has an effect on the development of an efficient and productive Australian freight transport system. Integrated transport systems are epitomised by the manner in which licensed vessels are used for coastal trade. Licensed vessels which trade on the coast generally carry dedicated cargoes for dedicated shippers on dedicated coastal routes (e.g. bauxite from Weipa to Gladstone, passengers and general cargoes between Melbourne and Tasmania). Licensed vessels can be viewed as part of an effective integrated transport system; thus

policies which provide greater incentives to license vessels will, almost inevitably, contribute to an efficient and productive Australian freight transport system.

The use of 'other carriers' to supplement core activity is a fundamental business strategy adopted in most industries. Consequently, it is arguable that the policy which allows the use of permit vessels to transport special and peak time cargoes, when no suitable licensed vessel is available, ensures the efficient and productive flow of cargoes around the coast. However, the current use of the permit system to carry about 40% of coastal cargo can be viewed as being ad hoc, opportunistic and easily manipulated, and thus it is unlikely to assist in promoting an efficient and productive freight transport system.

The environmental and safety impacts of coastal shipping can be considered in at least three ways, namely:-

- Impact of engine emissions
- Impact of ballast discharges
- Impact of accidents

In terms of greenhouse gases (carbon dioxide), these emissions from ships are the least polluting as they are less per tonne kilometre than road transport and marginally less than rail transport. However, in terms of oxides of nitrogen (NOx), oxides of sulphur (SOx) and particulates (smoke), emissions from ships are more polluting than land transport. The International Maritime Organisation (IMO) is rapidly developing stringent conditions to further control emissions from ships. It is likely that these conditions will apply to any ship operating in a designated Emission Control Area (ECA). The Baltic and North Seas, which currently have controls on SOx emissions, along with the Mediterranean and Japan Inland Seas, are likely to become the first ECAs. Bearing in mind that it has been reported that particulate emissions from ships make up about 50% of airborne pollution in Newcastle, there is an urgent need for a scientific study to identify the magnitude and location(s) of significant pollution from ship emissions in Australia. The outcomes of such a study could inform policy on the need for ECAs in Australia. Provided Australia adopts the IMO regulations and declares a number of ECAs, the reduction in emissions proposed by the regulations will put coastal sea transport in a more favourable position than at present.

Ballast water from ships is a source of exotic marine organisms and much work has been done on ballast water handling to reduce the impact on the marine environment. For coastal sea transport, regulations related to ballast water handling will bring benefits but also impose costs. The benefits are reductions in introduced exotic marine organisms, and the avoidance of potential economic, environmental and amenity damage. Costs include potential delays to ships whilst they handle ballast, higher ship construction and operating costs, as well as monitoring and enforcement costs.

Collisions, groundings, strandings, equipment failure etc. all have the potential to impact on the environment. Whilst it is true to say that ships operating around the Australian coast have a relatively good track record, it is also the case that the potential environmental impact of an accident could be catastrophic. In addition to the iconic Great Barrier Reef there are an increasing

number of marine protected areas through which ships sail, and the way in which the permit system is currently used means that there are ships plying the coastal trades where there is little knowledge of the risks they pose. These are not just risks to the environment but also to seafarers who man them and the personnel who board them in Australia's ports.

In the context of this submission, competitive neutrality is taken to mean that one mode of transport does not receive more favourable treatment than another mode of transport; thus it is arguable that Australian coastal sea transport is treated unfairly compared to land transport. Do charges on the road transport industry fairly cover their proportion of the direct costs of building and maintaining roads? Does the road transport industry contribute to alleviating the costs of congestion, the costs of pollution, the costs of accidents, the costs to human health etc.? Answers to these and similar questions should allow for a clear policy to emerge on competitive neutrality between the transport modes.

On balance, a policy which provides greater support to coastal sea transport is an attractive proposition in that it could remove considerable quantities of long haul goods from the nation's roads; such an outcome also has the potential to increase road congestion and associated pollution in the vicinity of ports. This is an issue for both Infrastructure Australia and the AusLink program to take into account.

**TERM OF REFERENCE 5** (Implications of coastal shipping policy for defence support, maritime safety and security, environmental sustainability and tourism)

A strong shipping industry has the capability to provide defence support if needed, but the current size of the Australian fleet makes its availability and/or capabilities unlikely to be of use. The current coastal shipping policy does not take defence support into account, nor does it provide any incentive for Australian ship operators to consider potential defence support needs when purchasing ships.

With some 40% of Australia's coastal trade carried in permit vessels, this means there are a large number of 'guest workers' moving through Australia's territorial waters and ports. Whether these 'guest' seafarers are a safety and security risk is a matter of debate; however, it is certain that, because they are not Australian citizens or residents, there is a more general concern about the practise of using guest workers.

The Ministerial Guidelines for Granting Licences and Permits to Engage in Australia's Domestic Shipping ( <http://www.infrastructure.gov.au/maritime/freight/licences/guidelines.aspx>) provides exemptions for passenger cruise liners in order to facilitate tourist traffic. There are now some foreign flag cruise operators offering voyages around Australia as well as between some Australian ports. It is probable that any move to licence these vessels would reduce or eliminate their participation in this market; however, it should be noted that when they are carrying Australian passengers the income earned moves offshore.

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