

Submission by

# SVITZER AUSTRALIA

to the

Standing Committee on Infrastructure,  
Transport, Regional Development and  
Local Government

**Inquiry into Coastal Shipping Policy and  
Regulation.**

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## 1. Introduction

The Standing Committee on Infrastructure, Transport, Regional Development and Local Government has called for submissions to its inquiry in respect of Coastal Shipping policy and regulation.

The Standing Committee has agreed to conduct the inquiry in response to a reference by the Minister for Infrastructure, Transport, Regional Development and Local Government and has been established to

- Outline the nature and characteristics of the Australian shipping Industry and the international and coastal 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 such issues 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.

SVITZER, as the largest single employer of marine related labour in Australia, with some 1200 employees engaged in classifications ranging from Master to Deckhand on board its water borne plant and 110 people in shore based management and support functions is a major player in providing ship assist services in the form of harbour towage, salvage, emergency response, lines and mooring services and offshore support services.

The principal activity of SVITZER in line with our purpose "Safety and Support at Sea" is the provision of marine services involving tug boats of varying types and sizes both within and outside the boundaries of port limits.

The need for access to an adequate pool of well trained and qualified seafarers is critical to the safe, efficient and profitable operation of this essential service.

Accordingly, although other terms of reference will be touched upon, the core of this submission rests upon the question raised in respect of "Strategies for developing an adequate skilled maritime workforce in order to facilitate growth of the Australian coastal shipping sector".

## 2. Training and Qualifications

As is the case with many industry sectors, training costs are significant in the towage sector. Much of this cost relates to the basic training necessary for the acquisition of core qualifications as well as the ongoing process of revalidation of those qualifications over time.

Additionally there are training costs associated with commercial performance objectives as well as statutory requirements such as Occupational Health and Safety.

Accordingly the training task is substantial, expensive and ongoing. Historically, these costs have been minimised to the extent possible, in the Towage sector and other areas of maritime activity such as pilot service providers, by simply allowing the shipping industry to do the training and then employing qualified people into jobs that might be seen by those people as more desirable, (given that they do not involve long periods of time at sea away from families and other social infrastructure).

The reasons for not being more actively involved in the training task more appropriately and thereby reducing the overall training burden that the coastal shipping sector must consequently bear are many and complex but can be attributed to 2 principal factors:

- The lengthy periods of “sea time” required to attain appropriate qualifications to operate in the sector, which are seen by the SVITZER as not being relevant to its operations and as a direct consequence of that;
- The high cost of maintaining expensive labour in surplus to allow for the attainment of sea time. (It currently costs over \$100,000 to train a single employee to the level of Chief Engineer or Master Class1)

It is the thrust of this submission that the training dollars currently expended in respect of the attainment of core qualifications for Deck and Engineering Officers are applied inefficiently as a result of the current regulatory requirements, which are very much focussed on the blue water sector of the maritime industry.

It is argued that for that reason, the training cost burden upon both the coastal shipping industry and the towage industry are higher than they need be. Consequently there are fewer training places and ultimately fewer retained employees in the maritime workforce generally.

The issue to be considered from the SVITZER perspective, is that the quality of the *relevant* skills of those who see towage as an entry level occupation, or those who see it as a career, will be enhanced by a change in the focus from “sea time” to “supervised operating time” on board tugboats or, for that matter smaller commercial vessels.

Further, in SVITZER's submission that, in respect of towage and the minimum certificate requirements for operating tug boats, the training task will become more efficient for both the towage sector and by extension for the blue water sectors by changing current sea time element of the training that is required by the regulations. This greater efficiency will be derived as a result of:

- Reduced recruitment at entry level of qualified people from the coastal shipping fleet by the towage sector and other commercial sectors.; and
- Engagement of a greater number of trainees in the towage sector as a result of the greater affordability of those employees; and
- Requirement for academic qualifications being the same for both towage and coastal shipping at this level of minimum certification, which facilitates transfer where individuals are motivated to do so and may assist with the sea time component for the coastal shipping task.
- Providing diversity of career pathway between different sectors.

It is the submission of SVITZER that the cost barriers referred to in this submission should be removed and a new approach taken that will allow entry level involvement for prospective tug boat Marine Engineers and Masters in particular, through a change in the requirements for sea time in respect of qualifications for the performance of the task.

The current resources boom, including the boom in the salaries of offshore oil and gas exploration employees triggered by rising oil prices, has drawn a very large proportion of available labour out of the system. The situation is rapidly becoming critical as the workforce ages.

It is also desirable that entry level qualifications be set to provide the maximum potential for training to deliver competence.

SVITZER holds the view that this minimum entry level should be the HSC level and/or, for engineer trainees, an engineering based trade qualification.

The introduction of a more cost effective training regulatory environment would create a new cost structure and therefore a new opportunity for the towage sector to train many of its own people as well as drawing on other sources of qualified labour, thereby reducing demand for, and allowing the coastal fleet to retain, more of the people in whom it has invested its training resources.

Many employees and employers, (in the case of operators who were present in both sectors), in the past used towage as part of a natural progression where ships crew were rewarded with a tug boat position in return for long service. Employees traditionally used towage as the first step in the retirement pathway, which partially explains the very high average age of the towage workforce today.

A different regulatory framework would not prevent that transition, which is often desirable in terms of retaining a necessary proportion of Class1

certification in towage and has been to the benefit of both employers and employees in the past.

A more relevant set of rules in respect of the sea time component of qualifications would however, facilitate a complementary source of people to transfer from towage to coastal shipping, subject to additional sea time on board coastal ships. The net effect being that towage would be taking on more of the overall training cost burden, focussed on its own needs and at the same time providing entry level opportunities for future seagoing crew.

It is the submission of SVITZER that the training resources currently expended could be far better utilised by an industry specific (i.e. towage) focus on sea time, such that the time spent doing on the job training on board a tug boat should count 100% towards the requirement for the qualification. This time is heavily discounted for the purposes of fulfilling current sea time requirements. This could perhaps be done as part of a more generally coordinated industry approach to the acquisition of qualifications.

This industry approach might, for example, include employee exchanges which would potentially facilitate a very broad base of experiences in a relatively short timeframe.

It is the further submission of SVITZER that the academic standards currently applicable should continue to be applied in order to maintain the current high standard of professional performance across all sectors in the maritime industry, facilitating mobility of individuals across the sector generally including coastal shipping.

Internationally, marine qualifications obtained in the Australian system are highly regarded and highly valued. This has much to do with the academic rigour currently applied to the acquisition of those qualifications. In SVITZER's view, those standards must be maintained.

### 3. Other People Issues.

#### 3.1 The "Ageing Workforce" issue

The average age of a qualified Engineering or Deck Officer in the SVITZER fleet is 53 years. Given the nature of the qualifications required and the time required for new entrants to achieve the required level of skill, the training task is all the more significant.

As a direct result of the fact that so much expensive, (but in SVITZER's view improperly focussed), time is currently required to complete sea time obligations and in order to achieve the necessary qualifications, there is only a very limited opportunity for companies in the towage sector to actually train their own trainees in the Deck and Engineering ranks. Consequently, the training task as a whole, as mentioned above, is often left to an ever decreasing number of coastal operators who are then forced to carry the

training burden for a workforce upon which other marine industry participants draw, creating an ever decreasing supply for an ever increasing demand.

This disproportionate burden sharing could be alleviated with a more relevant and cost effective familiarisation requirement that recognises the relevance of training in one sector as well as the whole of industry approach as opposed to the current sea time regime, which sets the bar at the level of large scale blue water operations.

### 3.2 Selling the Career- Industry responsibility.

Anecdotally, it seems that, until very recently, little effort has gone into the promotion of careers in the sector.

While many submissions to the Inquiry, including this one, will refer to initiatives that can be taken by government, there are also obligations on industry to carry their share of the burden in setting the scene for the successful operation of the sector.

In this respect, it is noted that the Australian Shipowners Association (of which SVITZER is a member company) and Shipping Australia have recently participated in skills expos and this approach must be supported as one way to attract the interest of the young people without whom the industry will not survive.

In this respect, should the government elect to provide the kind of support for the industry to which this submission refers, then such support should be subject to conditionality in respect of the continuation and further focus and commitment to the industry's own contribution to the task.

## 4. State and Federal Regulations

### 4.1 A clear case for Harmonisation.

The issue of State versus Federal regulation in respect of marine qualifications is an issue of some importance in the shipping industry. As with other areas of conflicting regulations resulting from dislocation of State and Federal policies over time there is a need for harmonisation of the regulations relevant to marine operations, especially where operators conduct operations within, between and across state boundaries.

In particular, the replacement of the myriad Occupational Health and Safety legislation and regulations, with a single national set of rules would mitigate the cost of compliance significantly and thereby assist with the capacity of companies to further invest in training for the performance of the task rather than expending scarce resources training shore based staff in managing obligations under similar but differing OHS regulations across the country.

The same can be said about Workers' Compensation schemes. While it is not expected that this Inquiry will be taking specific action in respect of these issues itself, it is not unreasonable to expect that the Inquiry will raise these

issues as matters for further consideration in the COAG process, as additional evidence that overlapping rules and regulations must be addressed if the industry is to not only grow, but to survive at all given the relative competitive advantage enjoyed by the Australian coastal industry's international and domestic competitors.

If for example it was found that a single Workers' Compensation scheme, (i.e. Seacare), should apply, then that scheme itself would need significant review so that the change to that single system would not perversely increase overall workers compensation costs as a result of the generous benefits paid under that scheme.

Regulating authorities also differ between states, for example some states have established "Safe Manning Committees" which impose minimum manning requirements upon the operators of commercial vessels. These bodies, which are dominated by non commercial interests, impose their view upon operators despite the onus placed upon the operators themselves under Occupational Health and Safety legislation (referred to above), to provide a safe system of work for their employees.

These Committees are a further unnecessary impost on operators, especially where not only minimum manning is prescribed by them but also minimum qualifications.

The standards required by these Committees are often more onerous than those required by the Federal regulator, however, because the vessel concerned is operating for the time being within a state then the higher qualification is required, thereby eliminating employment opportunities for lower qualified people, (who seem to be able to do the same work perfectly well in other states), and increasing training costs significantly for no good reason.

SVITZER strongly asserts that these bodies are redundant and should be abolished, relying on the provisions of the Occupational Health and Safety Legislation that place an onus on employers to provide a safe system of work, or in the alternative be replaced by a single Federal body which includes proper industry representation, that would establish minimum standards that would apply to all commercially operated vessels, including the fishing fleet.

#### 4.2 Relative Competitive (Dis)advantage

International competitors of Australian coastal shipping operators are the beneficiaries of direct and indirect subsidy through favourable tax treatment such as accelerated depreciation of tonnage, or other "tonnage tax" arrangements, as well as low tax on earnings of seafarers, which effectively subsidise the labour costs of those seafarers in their countries of origin.

These are issues of relative competitive disadvantage for the Australian industry that must be addressed if Australian participation in shipping is to grow.

As is the case with a comparison of the relative competitive position of Australian shipping with international shipping operators, the Inquiry should not overlook the opportunity to assess the extent to which coastal shipping is able to compete on an equal basis with domestic land based transport modes, which are the beneficiaries of significant direct and indirect government support.

The support is provided via the Auslink and other State funded schemes such as road construction at the taxpayers' expense and indirect support is given via heavily subsidised motor vehicle registration costs for the long haul trucking Industry, which would meet only a fraction of the costs of servicing the capital requirements for the construction of new roads and importantly the reconstruction of roads clearly damaged by the operation of that sector.

The coastal shipping sector is a "user pays" industry and as such consideration should be given to the equalisation of assistance available to coastal shipping operators, including capital grants and accelerated depreciation that would provide the industry with sufficient confidence to make the major capital investments needed if the objective of a growing Australian coastal fleet is to be met.

As an island nation there are also issues of security of supply of transport infrastructure including sea transport infrastructure. The security of availability of that infrastructure is obviously enhanced if a significant proportion of that infrastructure is held in the hands of Australian entities. This issue provides further emphasis underpinning the justification for equal access to the type of direct and indirect assistance enjoyed by both domestic and international competition to the Australian merchant fleet.

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