

**Australian Government****Department of Resources
Energy and Tourism**

Michael Crawford
Inquiry Secretary
Standing Committee on Infrastructure, Transport, Regional
Development and Local Government
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Dear Mr Crawford

Coastal shipping policy and regulation inquiry

Thank you for your letter of 25 March 2008 seeking a submission from the Department of Resources, Energy and Tourism and participation in a public hearing at the inquiry into Australia's coastal shipping policy and regulations.

The Department's main objective is to enhance Australia's economic prosperity through the economic development of the resources, energy and tourism industries. The resources and tourism interests in the coastal shipping industry are varied; the submission has been divided into two distinct sections; Tourism, and Offshore Resources.

Tourism

The economic impact of Australia's tourism industry

Tourism activity in Australia adds to consumption (through exports) and thereby has a positive effect on Gross Domestic Product (GDP), employment and investment. At an aggregate level the Australian Bureau of Statistics (ABS) produces the Australian Tourism Satellite Account (TSA), which provides a measure of the economic activity generated by tourism.

According to the latest TSA, in 2005/06, tourism activity generated \$37.6 billion for the Australian economy, representing 3.9 per cent of total GDP. The tourism industry is one of Australia's top export earners, earning \$20.5 billion in export dollars in 2007 and accounting for some 10.5 per cent of total exports from Australia. Export earnings from tourism exceeded earnings from traditional exports such as iron, steel and non-ferrous metals and food and live animals. The tourism industry is labour intensive, employing 464,500 people in 2005/06, 4.6 per cent of the Australian workforce.

Cruise Down Under (CDU) is the co-operative marketing brand for the cruise shipping industry in the Australian and the Pacific region. They estimate that total expenditure for the Australian cruise shipping industry was \$219.9 million in 2006/07. This figure comprises passenger, crew and port related expenditure. The total passenger related component was \$108.1 million or 49.2 per cent of all expenditure.

Economic impact modelling commissioned by CDU provides estimates on the benefit Australia's cruise industry generates for the tourism industry and economy in general. In particular, the benefit included:

- total expenditure of \$376.0 million in 2005-06, including direct expenditure of \$195.7 million;
- employment impacts of 1,891 full time equivalent positions (FTEs), including 1,128 direct positions and 763 indirect positions. In addition to employment generated by onshore spending when at port, it is estimated around 1,000-1,500 Australians are employed on cruise ships, mainly in the ports where cruise ships are based such as Sydney, Melbourne and Brisbane;
- total wages income of \$97.7 million, including \$55.7 million in direct income and \$41.9 million in indirect or flow on wages income; and
- total value added impact, or additional Gross Domestic Product (GDP), of \$175.8 million, including a direct impact of \$95.2 million. Compared to the TSA for 2005-06, this direct component represents around 0.25 per cent of total tourism GDP.

Anecdotal evidence from the travel agent sector suggests that the demand for cruise shipping packages is growing. This could be the effect of two factors. Firstly, that cruise shipping industry has grown strongly in the past decade. The International Cruise Council Australia state that 221,033 Australians took a cruise in 2006 (63 per cent of cruising in Australian, New Zealand and South Pacific waters and 15 per cent cruising in Asia), this is more than double the number from 2002. Secondly, more people are using the internet to book their own flights and travel packages, therefore reducing the demand on travel agents to book flights, accommodation and tours whilst travelling Australia and the world.

Definition of cruise shipping

The Department understands that sections of the Australian cruise shipping industry may want to review the current definition of a cruise ship under the *Navigation Act 1912 (the Act)* to reduce the weight of a cruise ship from 5000 to 3000 tonnes (please refer to **Attachment A** for background information on *the Act*).

The Department recognises that lowering the tonnage in the definition may allow a greater number of foreign-flagged vessels to gain an exemption from *the Act* licence/permit requirements, and would also encourage visitation and placement of smaller expedition style ships in the Australian cruise market. These smaller vessels tend to visit more regional and remote areas of Australia providing a luxury experience and carry higher yielding passengers. The regional dispersal of tourists beyond the major metropolitan areas is important to deliver opportunities for economic development in regional Australia.

Any decision to allow foreign-flagged ships of less than 5000 tonnes to be eligible for an exemption from the coasting trade provisions would create scope for increased competition through smaller expedition style ships entering the Australian cruise market.

Process of obtaining licences/permits

Some cruise shipping industry representatives have previously highlighted to the Department that at a minimum the existing licence/permit provisions of *the Act* needs to be consistently applied and administered. They also indicated that there is a need for streamlining the application and assessment processes to reduce the time and regulatory burden associated with obtaining licences/permits.

Offshore Resources

Australia's offshore petroleum and minerals industries are major users of the offshore area and their interests may from time to time affect or be affected by the interests of coastal shipping.

Skills shortage

One of the key issues facing the coastal shipping sector in relation to its interaction with the offshore petroleum industry is a shortage of qualified and appropriately skilled workers. In the current climate, there is intense competition for skilled staff between coastal shipping and offshore oil and gas, with the shipping sector unable to retain staff post-qualification and training. This issue is not specific to either the coastal shipping industry or the oil and gas sector, as skills shortages and competition for qualified staff is occurring in Australia and around the world.

Interaction between offshore resources and coastal shipping

The Offshore Resources Branch of Resources Division has responsibility for administering the Commonwealth legislation authorising offshore petroleum and minerals exploration and exploitation, the *Petroleum (Submerged Lands) Act 1967* (PSLA) and the *Offshore Minerals Act 1994* (OMA).

Administrative arrangements within the Commonwealth include extensive consultation on major issues with other agencies, in keeping with Commonwealth policies and the requirements of both Acts. In particular, in developing the annual Release of Offshore Petroleum Areas, the Branch consults a range of relevant Commonwealth agencies, including the Australian Maritime Safety Authority (AMSA) on shipping issues. Any issues that could affect access for exploration within each area are in this way identified up-front and included in the 'Special Notices' for applicants in the detailed Acreage Release information package prepared for each year's Release. Letters of offers of exploration permits to successful applicants also include reference to the Special Notices for each area. A parallel consultation process with Commonwealth agencies is undertaken for applications for the renewal of petroleum Exploration Permits, and also for applications for petroleum Retention Leases and Production Licences and renewals.

Under the OMA, applications for Mineral Exploration Licences are made on an over-the-counter (first-come first-served) basis, but the consultation with Commonwealth agencies on such applications is essentially the same as those for petroleum. Activity levels are very low compared with petroleum, with two offshore minerals tenement currently in force nationally.

In the event that an offshore petroleum or mineral application overlies a major coastal shipping route, applicants are made aware of the issue up-front and where necessary, notification requirements may be imposed on the petroleum or mineral operator for proposed exploration/exploitation activities in the area e.g. marine seismic surveys, drilling. For exploration activities, the necessary equipment is generally brought into the area on a short-term basis, typically from one month to three months. Exploitation activities for petroleum may in some cases involve the installation of a fixed production platform for many years. The consultative approach to administration, and the lead times involved in the development of offshore petroleum discoveries, ensure that potential conflicts between different users of a particular area can be identified early and generally worked through to the satisfaction of all parties.

The Department also provides advice and policy support in relation to safety zones around offshore facilities under section 119 of the PSLA. Security zones under the Maritime Transport

and Offshore Facilities Security Act are managed by the Office of Transport Security in the Department of Infrastructure, Transport, Regional Development and Local Government. In both cases the legislation provides for exclusion zones of up to 500 metres around offshore facilities. The 500m zone is consistent with allowances for coastal states under the United Nations Convention on the Law of the Sea.

Exclusion zones (whether for safety or security purposes) provide a separation distance between offshore facilities and shipping. The Department has, in the past, supported the Office of International Law in the Attorney-General's Department with a proposal to extend safety zones beyond 500m through a tiered approach that provides increasing intervention powers as an unauthorised vessel approaches an offshore facility. Appropriately notified safety zones and a well managed information system (such as up to date charts or electronic navigation systems) should reduce the likelihood of an unauthorised incursion into a safety zone and therefore enhance the safety of vessels and offshore facilities.

Continuous Voyage Permits (CVP) and Single Voyage Permits (SVP)

The Resources sector relies on chartered unlicensed tonnage to accommodate down time in the coastal shipping fleet, and to meet peak demand requirements where it ships commodities from mines to refineries. The resources sector has expressed concern that any further constraints placed on the current Single Voyage Permit and Continuous Voyage Permit system will lead to capital costs for the sector through the need to purchase additional tonnage that will not be commercially sustainable

Department's Recommendations

The Department recommends that the current definition of a cruise ship under *the Act* be reviewed.

The Department also recommends that the process associated with obtaining licences/permits needs to be reviewed with a view to streamline the process to reduce the time, cost and regulatory burden on the cruise shipping and resources industry.

Thank you again for welcoming my Department's participation in this inquiry. If you require any additional information, the contact officer for this issue is Mr Leigh Kennedy, Tourism Transport Team.

Yours sincerely

Tania Constable
Head of Division
Tourism Division

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Background

The Navigation Act 1912 (the Act)

The *Navigation Act 1912 (the Act)* defines coasting trade (ie the carriage of domestic passengers or cargoes within Australian), and details the requirements for engaging in that trade. *The Act* provides for substantial penalties for ships engaging in the coasting trade without a licence or a permit.

Under *the Act*, a ship is effectively deemed to be engaged in the coasting trade if it takes on board passengers at any port in a state or territory and transports them to a port in another state or territory. Intrastate journeys mostly are excluded from the coasting trade provisions of *the Act* (this is state government jurisdiction).

Foreign-flagged cruise ships engaged in coasting trade are generally required to have a licence or permit (Single Voyage Permit or Continuous Voyage Permit).

Passengers on through tickets to and from overseas (ie round world trips) on mega ships are not considered to be part of the coasting trade.

Cabotage is often described as: the reservation of coastal trade for vessels owned, operated, registered and crewed by nationals of the country. Unlike some overseas countries, Australia does not reserve its coastal trade for vessels owned and flagged in Australia and crewed by Australians.

Licensing of vessels to engage in the coasting trade

To engage in coasting trade in Australia ships must have a licence. Licences are not restricted to Australian flagged and crewed vessels.

Licences are issued for a 12 month period (or part thereof) ending 30 June each year, and are renewable annually. Licensed vessels are not restricted to specified trades. A licensed ship may engage in any of the coasting trades. Licensing fees are prescribed by Regulation pursuant to *the Act*. The current fee is \$22.

Licences are issued on condition that:

- seafarers employed on the ship are paid at least Australian wage rates;
- the ship is not receiving, nor has been receiving during the past 12 months, nor is to receive a subsidy or bonus from a foreign government; and
- if applicable, the crew has access to the passengers' library.

Single and continuing voyage permits

Permits, either a single voyage permit (SVP) or a continuing voyage permit (CVP), may be issued to unlicensed vessels to engage in a coastal trade between ports where:

- no licensed ship is available for the service; or
- the service, as carried out by the licensed ships, is inadequate and the Minister is satisfied that it is in the public interest to do so.

The cost of a Passenger SVP is \$22.00 and a CVP is \$400.00. CVPs are valid for a maximum of three months. This limit applies to all classes of ship, and is consistent with the creation in 2002 of a new class of Special Purpose Visas for non-citizen crews of ships holding coasting trade permits for up to three months (with the proviso that such ships must leave Australia for a port overseas at least once in any three month period). Ships operating under coasting trade permits are not subject to the requirement to pay Australian rates of wages.

In an attempt to facilitate tourist traffic, the Australian Government has exempted cruise liner passenger trades, with the exception of the Victoria/Tasmania trades, from the coasting trade requirements of *the Act*.

Cruise liners

Cruise liners are defined as ships in excess of 5000 gross registered tonnes, capable of a speed of at least 15 knots, capable of carrying at least 100 passengers and utilised primarily for the carriage of passengers. Cruise liners (over 5000 tonnes) operating in the coastal passenger trades, other than those between Victoria and Tasmania, are not required to have coasting trade licences or permits to engage in those trades. Cruise liners require coasting trade licences or permits to carry domestic passengers between Victoria and Tasmania (note this does not include passengers who are carried across Bass Strait as part of a longer journey).

Vessels under 5000 gross registered tonnes are not exempt from *the Act*' requirements for coasting trade licences or permits.

If a cruise ship under 5000 tonnes wants to enter the Australian inter-state cruising market, it could apply for either a licence (and hence pay Australian wage rates) or an SVP or CVP. Issue of a permit cannot be guaranteed due to the existence of licensed vessels, one or more of which might be able to carry out the proposed voyages.

