

## **HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON INFRASTRUCTURE AND COMMUNICATIONS INQUIRY INTO THE SHIPPING REFORM BILLS**

### **Background**

The House of Representatives Standing Committee on Infrastructure and Communications is currently inquiring into the following proposed legislation:

- Coastal Trading (Revitalising Australian Shipping) Bill 2012
- Coastal Trading (Revitalising Australian Shipping) (Consequential Amendments and Transitional Provisions) Bill 2012
- Shipping Registration Amendment (Australian International Shipping Register) Bill 2012
- Shipping Reform (Tax Incentives) Bill 2012
- Tax Laws Amendment (Shipping Reform) Bill 2012

The Committee is welcoming perspectives on the bills as introduced, particularly with regard to the extent to which concerns you may have raised during the consultation process are reflected in the legislation currently before Parliament.

### **Introduction**

In response to the invitation of 29 March 2012, please note that this is a personal response and does not purport to represent the views of the Australian Maritime College (AMC). In responding to the Committee's request I have referred to the following documents:

1. AMC Submission to the House Standing Committee on Infrastructure, Transport, Regional Development and Local Government, Inquiry into Coastal Shipping Policy and Regulation (4 April 2008);
2. AMC Response to the House Of Representatives Standing Committee on Infrastructure, Transport, Regional Development & Local Government, Inquiry into Coastal Shipping Policy and Regulation report 'Rebuilding Australia's Coastal Shipping Industry' (5 November 2008);
3. AMC Response to the Department of Infrastructure and Transport's discussion paper 'Reforming Australia's Shipping - A Discussion Paper for Stakeholder Consultation' with emphasis on Maritime Education and Training (21 January 2011); and
4. AMC Response to the Shipping Reform Reference Group-Workforce Skills and Development Workforce Skills Matrix (28February 2011).

### **Concerns raised during the consultation process**

#### **Concern 1 (Doc 1, p2)**

*"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."*

#### **Response 1**

**The proposed legislation appears to adequately redress this concern.**

#### **Concern 2 (Doc 1, p3)**

*"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."*

**Response 2**

**The proposed legislation should help international sea transport become more competitive through the use of an Australian International Shipping Register and Tax Incentives. Coastal sea transport should benefit from the tighter 'cabotage' provisions of the proposed Coastal Trading legislation. However, concerns relating to levelling the playing field for land and sea transport are not addressed by the proposed legislation.**

**Concern 3 (Doc 1, p4)**

*"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."*

**Response 3**

**The proposed legislation appears to adequately redress this concern.**

**Concern 4 (Doc 1, p5-6)**

*"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:*

- *Develop policies to encourage the growth of the Australian shipping industry and 'flagging back' (by introducing a tonnage tax regime, for example);*
- *Develop policies to encourage seafaring as a profession (such as tax exemptions for seafarers);*
- *Consider offering additional fee support or fee waivers to encourage young Australians to undertake maritime training and education;*
- *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);*
- *Relax the visa requirements for overseas applicants who wish to gain Australian seafaring qualifications and certificates of competency; and*
- *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.*

**Response 4**

**The proposed legislation appears to adequately address dot points one and two i.e. tax regime and taxation reform. The remaining dot points are not addressed by the proposed legislation but it is possible that these sorts of issues might be considered by the Maritime Workforce Development Forum. However, it must be noted that maritime education and training providers have not been invited to join the Forum.**

**Concern 5 (Doc 2, p3)**

*"Recommendation 5: The Committee recommends that the Australian Maritime Group examines ways to introduce an optional tonnage tax regime in Australia that is linked to mandatory training requirements.*

*AMC is supportive of this recommendation as it reflects both our written submission, public hearings comments to the inquiry, and an outcome of the recent Maritime Skills Shortage and Training Forum conducted by AMC's Maritime Transport Policy Centre. The synopsis of the forum was provided to the inquiry as an exhibit. The linking of a tonnage tax regime to mandatory training requirements is a catalyst to develop well focused initiatives to maximise training within the maritime industries. The Government is encouraged to adopt Recommendation 5 and requested to link a tonnage tax regime to mandatory training requirements by use of a scheme similar to the UK's SMarT scheme."*

**Response 5**

**The proposed legislation appears to adequately address linking mandatory training requirements to the tax regime. However, the proposed legislation does not include any consideration of a scheme similar to the UK's successful SMarT scheme.**

**Concern 6 (Doc 2, p4-6)**

*"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.*

*AMC is supportive of the broad intent of this recommendation but questions the need for yet another 'authority'. AMC suggests that there is a well tested alternative approach which would allow the broad intent of the recommendations to be achieved namely:-*

- *Establish an organisation where stakeholders can work, in a neutral environment, towards implementing the recommendations.*

*This approach could be modelled on the UK Merchant Navy Training Board (MNTB). Rather than an 'authority' approach, AMC believes a co-operative approach, using a mechanism similar to the MNTB, is more appropriate. The Government is requested to consider using a MNTB type mechanism to progress the broad intent of Recommendation 10."*

**Response 6**

**The proposed legislation recognises the need to train seafarers by making it a condition of accessing the tax regime. The Maritime Workforce Development Forum could be viewed as an organisation where stakeholders can work together in a neutral environment. According to Minister Albanese's media release of 21 February 2012: "The Forum is comprised of representatives from across the maritime sector and will work to address priority issues such as the development of a mandatory training requirement and the development a national approach rather than sector or state-based approaches that currently exist."**

**([http://www.minister.infrastructure.gov.au/aa/releases/2012/February/aa019\\_2012.aspx](http://www.minister.infrastructure.gov.au/aa/releases/2012/February/aa019_2012.aspx) )**

**However, as previously noted, maritime education and training providers have not been invited to join the Forum.**

**Concern 7 (Doc 3, p2)**

*"The establishment of a second register to facilitate Australian shipping operations in international trades is an approach successfully adopted by many developed countries, notably a number of OECD and EU countries. The potential requirements of the AISR indicate that only the Master and the Chief Engineer would need to be Australian residents and this is a common requirement of many second registers. However, the number of suitably qualified and experienced Australian seafarers available to ensure this requirement is met is limited, and it should be noted that there is a considerable lead time to attain the qualifications and experience for position of Master or Chief Engineer."*

**Response 7**

The proposed legislation introduces an Australian International Shipping Register and requires that at least two senior positions (engineering and deck officers) are to be filled by Australians. This approach recognises the reality of the existing small pool of Australian masters and chief engineers and the length of time needed to attain the qualifications and experience for the position of Master or Chief Engineer.

**Concern 8 (Doc, p3)**

*“In order to access either a proposed tonnage tax scheme or a tax scheme combining accelerated depreciation and relaxed capital gains tax provisions for selected capital assets, the Government will require:*

- *Businesses to train at least one new cadet per year for every crew complement entered on the Safe Manning Certificates of all ships in the operator’s fleet to remain eligible for these tax benefits.*

*This approach is similar to the requirements of maritime tax regimes of many developed countries, notably OECD and EU countries, and has produced positive results for their maritime skills base.”*

**Response 8**

Minister Albanese’s second reading speech of 22 March 2012 states: “The details of this training requirement, which are currently being finalised by the Maritime Workforce Development Forum, will be contained in regulations.”

<http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22chamber%2Fhansard%2F843adba4-b07b-4642-9c44-98beb898a1b5%2F0022%22> However, as previously noted, maritime education and training providers have not been invited to join the Forum.

**Concern 9 (Doc 3, p4)**

*“The Discussion Paper proposes that an enhanced maritime training regime to provide a secure skills base would desirably be based on a partnership between industry, unions and education providers. Additionally, it proposes that the establishment of the Maritime Workforce Development Forum could allow for the development of Maritime Workforce Development arrangements that seek to improve maritime skills and training outcomes and develop mechanisms for workforce planning and sharing of resources in the delivery of training. However, such an initiative would need to draw on current programs and existing funding allocations. This is an eminently sensible proposition; provided the mistakes of the past are not repeated e.g. the Forum:*

- *Treats members as equal partners; and*
- *Precludes all industrial issues.*

*The Forum must have very clear and prescriptive terms of reference which, as a minimum focus on:*

- *Improving maritime skills;*
- *Improving training outcomes; and*
- *Developing mechanisms for:*
  - *Workforce planning; and*
  - *Sharing training delivery resources. “*

**Response 9**

The Maritime Workforce Development Forum has commenced its deliberations without the involvement of any maritime education and training provider stakeholders. It is suggested that their early involvement would enhance the likelihood of a successful outcome to training reform.

**Conclusion**

The proposed legislation is similar to that adopted by many OECD and EU developed nations and, as such, should provide a suitable framework which could revive Australian registered shipping. Once

the legislation is enacted, its success will ultimately depend upon the investment decisions of commercial shipping organisations.

It is recognised that the proposed legislation makes an important contribution to workforce development and training. However, it is of some concern that maritime education and training providers, with their wealth of experience, are not currently involved in the Maritime Workforce Development Forum deliberations.

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