



12 April 2012

The Secretary
House of Representatives Standing Committee on Infrastructure and Communications
PO Box 6021
Parliament House
Canberra ACT 2600

Dear Ms Morris,

The Australian Association for Maritime Affairs (AAMA) thanks the Committee for its invitation of 29 March to make a submission to the Committee's inquiry into the shipping reform bills.

The role of the AAMA is to generate greater public awareness of maritime affairs, given their enormous significance to the Australian nation. To that end, the AAMA issued a media statement of 22 February 2012 (copy attached) which:

- a. welcomed the shipping tax concession measures provided under the legislation, although we understand that some may have relatively little effect; but
- b. criticised the proposed (and, by inference, the current) voyage permit system for domestic sea freight as being counterproductive, for the reasons given in the 22 February statement.

AAMA is aware of concern within the Australian shipping industry that the Government's income tax exemption measures simply defer taxation until any profits that have not been reinvested are taken in the form of dividends, at which point no franking credits are available. The Committee may care to investigate whether that is correct and, if so, whether the proposed income tax exemption measures will have much practical benefit with regard to developing the Australian shipping industry.

The AAMA would be delighted to answer any questions from the Committee.

Yours sincerely,

Richard Griffiths
Chair
AAMA Board



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22 February 2012

Stronger Shipping for a Stronger Economy

The Australian Association for Maritime Affairs (AAMA) welcomes the release of the second set of draft legislation to support the re-development of an Australian shipping industry, particularly the tax concession measures. “A strong Australian shipping industry is a national strategic necessity, for both commercial and defence reasons, so the cost of the proposed tax concessions should be offset against those national objectives,” said Richard Griffiths, the Chair of the AAMA.

The AAMA, however, remains concerned that the draft legislation seeks develop a national coastal shipping industry by using restrictive and ultimately expensive cabotage measures. By trying to restrict foreign shipping from carrying domestic sea freight, as opposed to allowing Australian business to use the cheapest shipping transport available at the time, the permit policy has the effect of increasing the cost of domestic sea freight to Australian business and thus the national economy.

Unlike international sea freight, Australian domestic sea freight has potential competitors in the form of rail and road freight, which already benefit from significant Government infrastructure subsidies. Cabotage measures like the proposed voyage permits regime increase the cost or decrease the availability of shipping to carry Australia's domestic freight. That has the effect of increasing the competitive advantage of long distance road and rail transport, notwithstanding road's and rail's higher fuel usage per tonne/kilometre, much higher emissions of greenhouse gases, poorer safety records, and the cost of their supporting infrastructure.

The proposed shipping tax concession measures should be the primary method of support for an Australian shipping industry, and the costs of achieving the commercial and defence policy objectives would then be transparent and measurable.

The AAMA believes that it might assist logical thinking on this subject if the term "coastal shipping" was banned from official use, and the term "domestic sea freight" was invariably used in lieu.

“In the long term, cabotage measures for domestic sea freight are counter-productive, both for the Australian shipping industry and for the national economy,” said Richard Griffiths.