



**House of Representatives Standing Committee on Infrastructure, Transport,
Regional Development and Local Government.**

Coastal shipping policy and regulation

ASA responses to questions from the Committee – 21 April, 2008

Question 1:

P6 - Chair "I am interested in what has happened over time. In relation to costs, have they changed over time? They were \$3 million in 2006. Were they higher in 1990 for example? ...Are the costs going down or are they pretty steady?.....You have said that leave elements of the manning costs seem to be the largest problem. Perhaps you could talk a little bit more about those.

Response:

A time series of crew costs is not available. Data on labour costs has been collated from time to time and shown as an index to demonstrate differences in crew costs as opposed to absolute crew costs. Details of aggregate labour costs for the whole industry have been collected in the past but that material is not presently available.

Each individual operator would know with precision what its crew costs are but that material is not made available to this industry association for reasons of confidentiality. We would suggest that one of the ship operators and/or managers that has appeared before the Committee would be in a better position to answer this question for the Committee.

ASA has commented on the leave question at pages 56 and 57 of its submission and explained the impact of the leave system on the practical running of a vessel.

A number of points are reproduced below illustrate the conundrum facing employers in deciding whether or not to tackle the industrially sensitive and by no means unique seafarers' leave issue.

Leave is accrued on the basis of 0.926 of a day for each day worked. In practice this means a day's leave is earned for each day at work. Basically, two people have to be employed for every job in an Australian ship: one person is on the job at sea while the other is on leave ashore. Seafarers will swap places (or 'swing ' as it is known) every specified number of weeks: the one who is at sea will go on leave while the one who has been on leave will return to the ship to resume work.

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Accordingly, at least two persons must be employed to keep each position on a ship filled all the time. The points about this difficult issue that we mentioned in our submission were these:

- The leave available to Australian seafarers is unnecessarily high in comparison to Australian standards ashore.
- The leave available to Australian seafarers is a necessary condition of employment to retain persons in seagoing occupations.
- The leave factor is a remnant of industrial gains achieved by the maritime unions through industrial persuasion in a capital intensive industry.
- The leave factor is necessary to take into account the nature of seagoing employment, being confined to a ship, working in an isolated remote place.
- The leave factor exacerbates the shortage of seafarers.
- The leave factor cannot realistically be reduced at a time when it is difficult to find seafarers to work in ships.
- The leave factor in seagoing ships is less generous than the leave factor provided in the offshore oil and gas sector in which seafarers also find jobs.
- The leave factor is in excess of all but the most generous terms and conditions of employment available in the international shipping industry.
- The leave factor in Australian ships is probably not much different to the leave arrangements provided in mining and other remote engineering industrial activities in Australia.

There are a two other points worth noting on crew matters.

First, the number of unions involved in seagoing crews has been reduced from seven to three. Prior to the reforms of the industry which were implemented up until the early 1990s, the period the Committee Chair mentioned in her question:

- Deck and engine room ratings were represented by the (then) Seamen's Union of Australia,
- Deck officers and masters were represented by the (then) Merchant Service Guild,
- Engineers and electricians were (and in the case of engineers, still are) represented by the Australian Institute of Marine and Power Engineers (AIMPE),
- Cooks were represented by the Marine Cooks, Butchers and Bakers Association,
- Stewards were represented by the Federated Marine Stewards and Pantrymen's Association,
- Radio Officers were represented by the Professional Radio and Electronics Institute of Australia,
- Shipwrights were represented by the Shipwrights' Union.

The classifications of shipwright, electrician and radio officer were removed from ships' crews altogether. The cooks' union and the stewards' union were wound-up and amalgamated with the Seamen's Union which subsequently amalgamated with the Waterside Workers Federation to become the Maritime Union of Australia. These developments reduced four unions to one.

Of the other two unions, the deck officers and masters' union changed its name to the Australian Maritime Officers Union and the AIMPE still represents marine engineers.

Secondly, the rationalization of crew structures removed demarcation issues and streamlined manning practices. Not only were crews reduced from at least the mid-30s, but the classifications of crew were changed as well. The demarcation between deck and engine-room ratings (formerly known as ABs and Greasers respectively) was removed by retraining all ratings as Integrated Ratings capable of working in both the engine room and on deck.

This was a radical development implemented by the industry and is one whose efficacy now tends to be overlooked.

The duties of marine stewards and marine cooks were largely amalgamated (once their separate unions were dissolved) and rationalized such that ships that up until around 1990 might have carried a chief steward, three or four assistant stewards, a chief cook, one or two assistant cooks and two crew attendants now carry two catering staff only.

The industrial issues surrounding crewing numbers and demarcations that were rampant in the 1980s have now disappeared and ships are crewed strictly according to their operational needs, not according to what used to be referred to as "political manning".

Question 2:

P12 Mrs Mirabella "Just in rough terms, could you quantify the economic benefit of registration to a foreign nation? What is the economic benefit of an Australian owner?"

P13 ".....at the very least could you try quantifying the economic benefit of registration to that foreign nation?"

Response:

There is little or no published material that we have been able to identify that quantifies the economic benefit of ship registration to a nation's administration.

The nation in which a ship is registered is known as the flag state of the ship. In "Ship Registration: Law and Practice"¹ Coles comments that "The economic advantages to the flag State (of ship registration) can be considerable and the

¹ "Ship Registration: Law and Practice" Edited by Richard Coles Lloyds of London Press 2002 at p17.

number of smaller countries providing offshore registration facilities continues to grow.”

In the case of the Hong Kong ship register, it was noted by the General Manager of the Hong Kong Marine Department's Shipping Registry² that expansion of the ship register attracts economic activity to Hong Kong:

“These measures (to encourage expansion of the Hong Kong ship registry) have encouraged shipowners to register their vessels as Hong Kong flag ships and to establish their business in Hong Kong. The setting up of regional headquarters or offices here (in Hong Kong) generates lots of business opportunities. Just imagine the need for provision of maritime facilities and services such as office accommodation and equipment, ship financing, ship broking, communications, legal advice and arbitration, insurance, logistics and so on.”

Registration fees are one of the benefits of operating a flag state. Based on a 2002 paper³ it was estimated that 21 states operating open registers would have received US \$63 million from trading ship registration revenues. Additional revenues would be available through the transfer of ship management and administration to the non-flag state.

It is possible to estimate the economic benefit to a collection of flag states if the Australian fleet were to continue to flag-out to foreign registers. In 2005/06 the positive contribution of Australian shipping to the current account was \$106.2 million⁴. A concomitant of a loss of economic activity such as shipping to what would then be foreign interests would be a negative contribution to the balance on net services in the current account which in 2005/06 was already \$4.5 billion in that period.

In other words, a loss of economic activity in Australia and a reliance on foreign interests to provide that economic activity in Australia would exacerbate the negative contribution of foreign shipping which already represented 8.3 per cent of the current account *deficit* in 2005/06 to Australia's current account.

The administration of ship registration is a matter for government agencies. In Australia the Australian Register of Ships is administered by the Australian Maritime Safety Authority. We suspect that in Australia the ship register is seen as an administrative liability stemming from the Shipping Registration Act 1982.

In other countries, the register of ships is seen as an asset.

Our suggestion is that enquiries should be made by the Committee of the authority responsible in Australia for the Australian Register of Ships of administrations in appropriate countries⁵ to establish:

² “Shipping Operations Triple Gross Tonnage”

http://www.csb.gov.hk/english/letter/files/showcasing_hksr_e.pdf

³ “Fishing Vessels Operating under Open Registers and the Exercise of Flag State Responsibilities - Information and Options” UN Food and Agriculture Organisation Rome 2002.

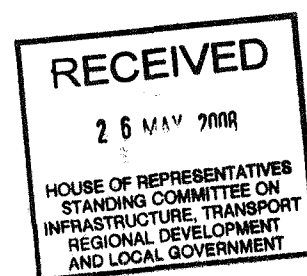
⁴ “Australian Maritime Transport 2006” Australian Shipowners Association and Apelbaum Consulting Group. February 2007.

⁵ The countries that might be canvassed might include some of but not necessarily be limited to the flag states commonly used by Australian ship operators as it is those flags that are demonstrably suitable for Australian

- Why other countries see their ship registers as a positive policy instrument,
- Why other countries take steps to attract shipping to their ship register,
- What value both financial and intrinsic is placed by other countries on their ship registers,
- What financial and economic value is derived by those countries from the maintenance of an international competitive ship register, and
- Why steps have been taken in other countries to establish second registers.

Establishing answers to these questions would allow an informed judgment to be made regarding Australia's ship register in the context of the international competition for ship registration business. Other countries compete for this business – we see no reason why Australia ought not do so as well.

Australia has a world-class flag-state administration in the Australian Maritime Safety Authority and is ideally positioned to develop an internationally competitive ship registration regime. A regime could be developed taking advantage of Australia's modern communications, relatively cheap business costs, convenient time-zone positioning, political stability and high safety and social standards.



operators. They include (as at May 2008): Antigua & Barbuda, Bahamas, Germany, Marshall Islands, St Vincent & Grenadines, United Kingdom, Hong Kong, Isle of Man, Singapore, Bermuda, Greece, Turkey, Liberia, Japan, France, Ireland and the Netherlands.