
The Parliament of the Commonwealth of Australia

Rebuilding Australia's Coastal Shipping Industry

Inquiry into coastal shipping policy and regulation

House of Representatives
Standing Committee on Infrastructure, Transport, Regional Development &
Local Government

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Foreword

Australia is a vast island nation with the majority of its population and industry located near the sea. It is of no surprise then that the Australian economy is dependent upon sea trade. Almost all of our export trade is moved by ship and shipping plays a significant role in fulfilling Australia's domestic freight task – carrying 24 per cent of the total freight task in 2004-05. While this is a significant contribution by the shipping industry to the national freight task, it is not a substantial one. There is room for growth in Australia's coastal shipping industry.

The Australian coastal shipping industry has been in decline for some time. In 2005/06, the Australian registered trading fleet consisted of 46 vessels. In 1996, that number stood at 75. Increasingly, foreign vessels have been employed to carry goods around the Australian coast to the detriment of Australia's coastal shipping fleet.

There is a view amongst many in the Australian maritime industry that Australia would benefit from a revived and expanded coastal shipping sector. This process must begin with reform and accordingly, the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government has been tasked with inquiring into coastal shipping policy and regulation in Australia in order to make recommendations on ways to enhance the competitiveness and sustainability of the sector.

The strongest argument for revitalising Australia's coastal shipping industry is an economic one. A strong domestic shipping industry can assist in the alleviation of land transport bottlenecks, infrastructure constraints and environmental impacts, as well as provide economic benefits derived from the creation of local employment and the growth of maritime services. Australian defence, maritime safety and security could also benefit from an expanded coastal shipping sector.

The industry does face some challenges. Shipping must be able to compete with road and rail transport and will therefore need to offer available, reliable, timely service with competitive pricing. Infrastructure constraints, particularly at the

ports, may impact on shipping's competitiveness and a skills shortage throughout the industry has the potential to limit its growth.

The Committee has examined these issues during its inquiry and has put forward a series of recommendations for the Infrastructure, Transport, Regional Development and Local Government Minister to consider.

Revitalisation of the Australian coastal shipping sector begins with regulatory reform. Coastal shipping in this country is governed by a complex regulatory structure and the Committee has made several recommendations intended to harmonise shipping policy and regulation. Growth in the sector will be further enhanced by incentives such as the introduction of an optional tonnage tax and accelerated depreciation. Strong action on the part of all maritime stakeholders is required to abate the skills crisis, but government can assist and it is the Committee's recommendation that Australia's tonnage tax regime be linked to mandatory training requirements.

Coastal shipping reform requires national guidance and national cooperation. It is the Committee's view that reform be implemented, coordinated and monitored by a reform implementation group operating under a restructured Australian Maritime Group. This will ensure that reform is driven at a national level as part of the Council of Australian Governments process.

The revitalisation of our coastal shipping industry has long been a topic for discussion and review. The Committee has been fortunate to have previous studies to draw on and use as a basis for which to advance its own recommendations and is indebted to the many people and organisations that prepared submissions and appeared as witnesses at the Committee's hearings. Many have been engaged in this process for some time and the Committee is hopeful that their input and patience will be rewarded, because a maritime nation such as ours needs a competitive and sustainable coastal shipping industry.

Ms Catherine King MP
Chair



Membership of the Committee

Chair Ms Catherine King MP

Deputy Chair Mr Paul Neville MP

Members Ms Jodie Campbell MP

Mr Darren Cheeseman MP

Mr Jason Clare MP

Mrs Joanna Gash MP

Mrs Sophie Mirabella MP¹

Mr Brett Raguse MP


The Hon Dr Sharman Stone MP

Mr Jon Sullivan MP

¹ Mrs Mirabella was granted leave of absence for maternity reasons from 16 June 2008, could not attend Parliament and could therefore not participate in consideration of this report.

Committee Secretariat

Secretary	Ms Janet Holmes (to 30 June 2008) Mr Richard Selth (from 1 July 2008)
Inquiry Secretary	Mr Michael Crawford
Research Officer	Ms Katie Ellis (to 15 August 2008)
Administrative Officer	Ms Emma Martin (to 11 September 2008) Ms Jazmine Rakic (from 15 September 2008)



Terms of reference

The Committee is to inquire into coastal shipping policy and regulation and make recommendations on ways to enhance the competitiveness and sustainability of the Australian coastal shipping sector.

The Committee's report is to:

1. Outline the nature and characteristics of the Australian shipping industry and the international and coasting trades;
2. Review the policy and regulatory arrangements in place for the coastal shipping sector;
3. Assess strategies for developing an adequate skilled maritime workforce in order to facilitate growth of the Australian coastal shipping sector;
4. Consider the effect of coastal shipping policy on the development of an efficient and productive freight transport system, taking into account issues such as environmental and safety impacts and competitive neutrality between coastal shipping and other modes of transport; and
5. Consider the implications of coastal shipping policy for defence support, maritime safety and security, environmental sustainability and tourism.



List of abbreviations

ACS	Australian Customs Service
ADF	Australian Defence Force
AIMPE	Australian Institute of Marine and Power Engineers
AIRC	Australian Industrial Relations Commission
AMDC	Australian Maritime Defence Council
AMG	Australian Maritime Group
AMSA	Australian Maritime Safety Authority
ASA	Australian Shipowners Association
ASIO	Australian Security Intelligence Organisation
ATC	Australian Transport Council
BITRE	Bureau of Infrastructure, Transport and Regional Economics
BRCWG	Business Regulation and Competition Working Group
COAG	Council of Australian Governments
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSL	Canadian Steamship Lines
CVP	Continuous Voyage Permit
DEEWR	Department of Education, Employment and Workplace Relations
HCDG	High Consequence Dangerous Goods

ILO	International Labour Organization
IMO	International Maritime Organization
IRAS	Independent Review of Australian Shipping
ITRDLG	Department of Infrastructure, Transport, Regional Development and Local Government
MCV	Maritime Crew Visa
MITP	Maritime Industry Training Package
MSIC	Maritime Security Identification Card
MUA	Maritime Union of Australia
NT	Northern Territory
NTC	National Transport Commission
OH&S (MI) Act	Occupational Health & Safety (Maritime Industry) Act
RAN	Royal Australian Navy
RPL	Recognition of Prior Learning
RTOs	Registered Training Organisations
SRC Act	Seafarers Rehabilitation and Compensation Act
STCW Convention	Standards of Training, Certification and Watchkeeping for Seafarers
SVP	Single Voyage Permit
UK	United Kingdom
UNCLOS	United Nations Convention on the Law of the Sea
WR ACT	Workplace Relations Act



List of recommendations

A new policy framework for coastal shipping in this country should include:

- reform of Part VI of the *Navigation Act 1912*, the *Navigation (Coasting Trade) Regulations 2007* and the *Ministerial Guidelines for Granting Licences and Permits to Engage in Australia's Domestic Shipping*;
- the implementation of a single national approach to maritime safety for commercial vessels;
- the introduction of an optional tonnage tax regime in Australia that is linked to mandatory training requirements;
- the re-introduction of accelerated depreciation arrangements;
- a one year review of the Maritime Crew Visa;
- amendments to the *Seafarers' Rehabilitation and Compensation Act 1992* and the *Occupational Health and Safety (Marine Industry) Act 1993*;
- the creation of a national port development plan to address current and potential capacity constraints in Australia's ports;
- the creation of a national maritime training authority and the introduction of a national training vessel;
- a review of Section 23 AG of the *Income Tax Assessment Act 1936*; and
- the creation of a reform implementation group to implement any future Commonwealth Government reforms.

Benefits of a competitive and sustainable coastal shipping sector

Recommendation 1 (page 14)

The Committee recommends that the Australian Commonwealth Scientific and Industrial Research Organisation, in consultation with independent scientists, study and report on the magnitude and location(s) of significant pollution from ship emissions in Australia.

Legislative review and reform

Recommendation 2 (page 34)

The Committee recommends that the Government complete the 2000 review of the *Navigation Act 1912* and then amend Part VI to clarify language in the Act. This will better align coastal shipping legislation with government's policy to foster a viable coastal shipping industry in a competitive domestic transport sector.

Submissions 11.1, 29.2 and 53.1 to this inquiry should be taken under consideration.

This process should be coordinated by the Reform Implementation Group referenced in Recommendation 14 of this report, in order that coastal shipping reform is progressed consistently over established timelines.

Recommendation 3 (page 35)

The Committee recommends that the Government further amend the *Ministerial Guidelines for Granting Licences and Permits to Engage in Australia's Domestic Shipping* to clarify their language and better align the Guidelines with Government policy and any amendments to the Navigation Act and its Regulations.

These processes should be coordinated by the Reform Implementation Group referenced in Recommendation 14 of this report, so that coastal shipping reform is progressed consistently over established timelines. Submissions 11.1, 29.2 and 53.1 to this inquiry should be taken under consideration.

In amending the Ministerial Guidelines, the Committee recommends that the Government consider whether some issues addressed within the Guidelines would be better articulated within the *Navigation (Coasting Trade) Regulations*.

Recommendation 4 (page 37)

The Committee recommends that any amendments to the Navigation Act, its Regulations and Guidelines should take into account Australian Transport Council recommendations regarding the implementation of a single national approach to maritime safety for commercial vessels.

Recommendation 5 (page 41)

The Committee recommends that the Australian Maritime Group examine ways to introduce an optional tonnage tax regime in Australia that is linked to mandatory training requirements.

The introduction of an optional tonnage tax should then be coordinated with the implementation of other reforms recommended in this report by the Reform Implementation Group referenced in Recommendation 14.

Recommendation 6 (page 43)

The Committee recommends the re-introduction of accelerated depreciation arrangements.

The re-introduction of accelerated depreciation arrangements should be coordinated with the implementation of other reforms recommended in this report by the Reform Implementation Group referenced in Recommendation 14.

Recommendation 7 (page 47)

The Committee recommends a one year review of the Maritime Crew Visa be conducted to ensure the program is meeting its objectives.

Recommendation 8 (page 50)

The Committee recommends that the Reform Implementation Group referenced in Recommendation 14 of this report be charged with overseeing further review of the *Seafarers' Rehabilitation and Compensation Act 1992* and the *Occupational Health and Safety (Marine Industry) Act 1993*. This review should be undertaken with the intention of supplementing and updating existing reform recommendations and therefore should be completed expeditiously. Timelines for the review should be set by the Reform Implementation Group and be consistent with its established timelines for the implementation of coastal shipping reform. Both Acts should then be amended.

National challenges

Recommendation 9 (page 56)

The Committee recommends that Infrastructure Australia create a national port development plan to address current and potential capacity constraints in Australia's ports. This plan would then be used to direct funding to critical port infrastructure projects – not only to address Australia's export capacity but also its ability to respond to a potential growth in coastal shipping

Recommendation 10 (page 66)

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.

Recommendation 11 (page 66)

The Committee recommends that a new training authority also progress and implement joint strategies designed to allow for greater transfer of personnel between the Royal Australian Navy and the civilian maritime industry.

Recommendation 12 (page 69)

The Committee recommends that the Department of Education, Employment and Workplace Relations develop options for the introduction of a national training vessel through formal consultation with the maritime training industry and other relevant stakeholders.

Recommendation 13 (page 73)

The Senate Education, Employment and Workplace Relations Committee recommended that section 23AG of the *Income Tax Assessment Act 1936* be reviewed, and the meaning of “foreign service” for income tax purposes be clarified so that Australian seafarers are not disadvantaged in their earnings capacity relative to seafarers of other nations when working on foreign-flagged vessels on the high seas.

The Committee concurs and also recommends that the Government review Section 23 AG of the *Income Tax Assessment Act 1936* so that Australian seafarers are not disadvantaged in their earnings capacity relative to seafarers of other nations when working on foreign-flagged vessels on the high seas.

Implementation and oversight

Recommendation 14 (page 82)

The Committee recommends that any future Commonwealth Government reform initiatives be implemented by a reform implementation group which operates under a restructured Australian Maritime Group. A new Australian Maritime Group should comprise representatives from:

- The Department of Infrastructure, Transport, Regional Development and Local Government – including AMSA;
- state governments and the Northern Territory;
- National Transport Commission;
- Transport and Logistics Industry Skills Council;
- Infrastructure Australia;
- a national training authority (as noted in Recommendation 10);
- The Royal Australian Navy (in an advisory capacity); and
- key industry stakeholders such as the Australian Shipowners Association and maritime unions.

A restructured Australian Maritime Group should also retain its current sub-groups in order to advise the Reform Implementation Group on their portfolios.

Specific time-frames and performance milestones should be established for the Reform Implementation Group and reported on by the Bureau of

Infrastructure, Transport and Regional Economics. Once these have been met, the Australian Maritime Group may decide to disband the Reform Implementation Group and continue monitoring performance outcomes through information provided by the Bureau of Infrastructure, Transport and Regional Economics.

The Australian Maritime Group should report regularly to the Australian Transport Council, which, in turn would report on the work of the Reform Implementation Group to COAG.

