

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 124

Topic: Coastal Shipping & Foreign Vessels

Hansard Page: E95 (03/06/2010)

Senator CAMERON asked:

Senator CAMERON—On page 8 of your speech you talk about coastal shipping and the need to open up Australia to foreign vessels. Again, can you take on notice and give me a response to the question of the implications of foreign vessels coming in here—the so-called ‘ships of shame’—and the issues surrounding that, and whether that is an issue the Productivity Commission takes into account when it deals with this issue. Can you also come back to me in relation to what I was told the night before last night at a tourism dinner— that there are tax benefits for indigenous seafarers in most countries in the world. Indigenous seafarers in the UK and in Europe are employed on the basis of some tax incentives. Can you tell me whether you have taken that into account when you talk about opening up our coastline even more? If so—

Mr Banks—What I did talk about was the cost of unduly restricting access. There are legitimate reasons for having regulations about access of foreign vessels. I was not here arguing that there should be just an opening up, but rather that we need to think about not unduly restricting access. The point I was making was that those costs are likely to be higher for us, given the length of our coastline relative to the scale of our economy. So it was an observation; not a recommendation.

Answer:

Given Australia’s geography and the remote location of much of its primary production, coastal shipping is an important component of Australia’s national freight system, carrying mostly bulk commodities over long distances. A number of reforms beginning in the 1980s (including investment in more modern vessels and more flexible crewing arrangements) improved productivity in the sector.

In several reports the Commission has noted that cabotage restrictions have the potential to reduce the competitiveness of firms that rely on or would otherwise use coastal shipping. It also has acknowledged, however, the wider immigration, border security and environmental protection implications of allowing more foreign vessels to ply coastal routes. Because of the need to balance such risks against the potential benefits of avoiding unduly restrictive arrangements, in its 2005 Review of National Competition Policy Reforms the Commission proposed a wide-ranging inquiry into the sector, ideally as part of a multi-modal freight transport review that would allow consideration of issues such as competitive neutrality and intermodal connections.