



Australian Shipowners Association

**Senate Inquiry
Workforce Challenges in the Transport Industry**

Australian Shipowners Association Submission

January 2007

Executive Summary

This report has been prepared by the Australian Shipowners Association (ASA) for the purposes of making a submission towards the Senate inquiry into workforce challenges in the transport industry.

The importance of transport and logistics to the Australian economy cannot be overstated. It has been described as an *‘underpinning industry’* in that it provides an essential service to all other industries and the community in general. Sea transport represents an integral part of Australian surface transport and is expected to experience significant future growth. Importantly, shipping requires little infrastructure support, while measuring favourably in terms of its environmental impacts.

While the current skills crisis affects the whole of industry, occupational areas hit hardest include: Engineer Officers, Deck Officers and Integrated Ratings. Both general and maritime industry specific trends provide clear indicators that strategic interventions are required in order to meet the increased demands of the future.

The training of seafarers plays a vital role in supporting broader transport infrastructure by way of an employment cycle that often sees them progress to other areas of the industry. With Australia being one of the biggest participants in world seaborne trade, it is imperative that a sufficient seafaring workforce is maintained not only for the efficient operation of trading ships but also to ensure a sustainable transport industry in general is maintained.

It is clear that the maritime industry faces a number of challenges and issues with regard to employment and training. These include;

- Competitive labour pressures within the maritime industry
- High competency & training levels
- Lack of awareness and industry profile
- Discriminatory income tax arrangements for Australian seafarers
- State regulation of training which presents problems for a national industry
- Existing initiatives which have a negligible impact in the maritime industry

ASA recommends that amending s.23AG of the Income Tax Assessment Act 1936 and broadening current Government skills initiatives to embrace the maritime industry will assist in addressing shortage.

While the industry is taking pro-active steps to address the skills shortage, opportunities do exist for other stakeholders, including Governments, to take a more active role.

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1. Introduction

This report has been prepared by the Australian Shipowners Association (ASA) for the purpose of making a submission towards the Senate Inquiry into Workforce Challenges in the Transport Industry.

As the name implies, the Australian Shipowners Association is an association of Australian corporations which own, operate or manage ships – and not necessarily Australian ships.

ASA's activities are principally in the areas of environmental, operational, human resources and commercial policy. The thing that characterises ASA's services to its members is that ASA's services are closely aligned with the operation of ships. We do not often get involved in cargo or customs issues, but we do get involved in all those facets that are directly attributable to the ships and tugs and their operation.

2. The role and importance of sea transport

The importance of the transport and logistics (T&L) industry cannot be overstated. T&L contributes approximately 9% of GDP, making it one of the biggest sectors in the Australian economy¹. Essentially, our nation depends heavily on the industry to support our culture and our future.

More specifically, the shipping sector and broader maritime industry forms an integral part of Australian surface transport and plays a significant role in both domestic and international trade. In terms of modal efficiencies it requires little infrastructure support and measures favourably where environmental indicators are concerned.

Below are some points which illustrate expected growth over the coming years; the importance and value of shipping; and the role shipping plays in servicing Australia's transport requirements, both in domestic and international contexts.

Key Indicators - domestic

- Coastal shipping presently accounts for over 28% of the domestic non-urban freight task.²
- Despite the above, it contributes to just 2% of total greenhouse gas emissions produced by the transport sector, the lowest of all transport modes.³

¹ *Freight Logistics in Australia, An Agenda for Action 2002*

² *'Australian Maritime Transport 2005'* – Appelbaum Consulting Group 2006

³ *'Sea Transport Efficiency and Greenhouse Gas Emissions'* – Australian Shipowners Association 2005

- The coastal shipping task is expected to increase by 26.6% by 2013/14⁴.

Key Indicators – international

- Australia’s international trade is expected to increase by 72 % by 2013/14⁵
- Australia already accounts for 9.8% of the worlds seaborne trade, with this expected to increase in the future.⁶

An increasing task both domestically and internationally leads to an undeniable conclusion: increased employment needs.

3. Seafaring Workforce – Training Needs & Skills Profile

The employment landscape within the shipping industry is characterised by a highly qualified workforce, which reflects the level of competency required to carry out operations within a highly specialised environment.

The nature of the industry requires individuals to undergo specialised training courses that vary according to occupations and, upon successful completion, result in the individual being awarded qualifications up to Advanced Diploma level within the Australian Qualifications Framework (AQF). In most cases training combines both ‘off the job’ and ‘on the job’ components, allowing trainees to develop knowledge skills and competencies within both theoretical and practical contexts.

Occupational areas hit hardest by the skills crisis can be classified into three categories, which are briefly described in the table below;

Table 1: Occupations in high demand

Occupation	Brief Description	Qualification
Deck Officers	Primarily responsible for the safe navigation of a vessel as well as conducting cargo operations	Diploma – Advanced Diploma level
Engineer Officer	Primarily responsible for the design, maintenance, repair and testing of machinery and equipment	Diploma – Advanced Diploma level
Integrated Ratings (IRs)	IRs may engage in a number of activities	Certificate 3 Level

⁴ ‘Australian Maritime Transport 2005’ – Appelbaum Consulting Group 2006

⁵ ‘Australian Maritime Transport 2005’ – Appelbaum Consulting Group 2006

⁶ ‘Australian Maritime Transport 2005’ – Appelbaum Consulting Group 2006

	including, <ul style="list-style-type: none"> • Assisting with cargo operations • Assist in engine and navigational watches • Mooring and anchoring operations • General servicing and maintenance 	
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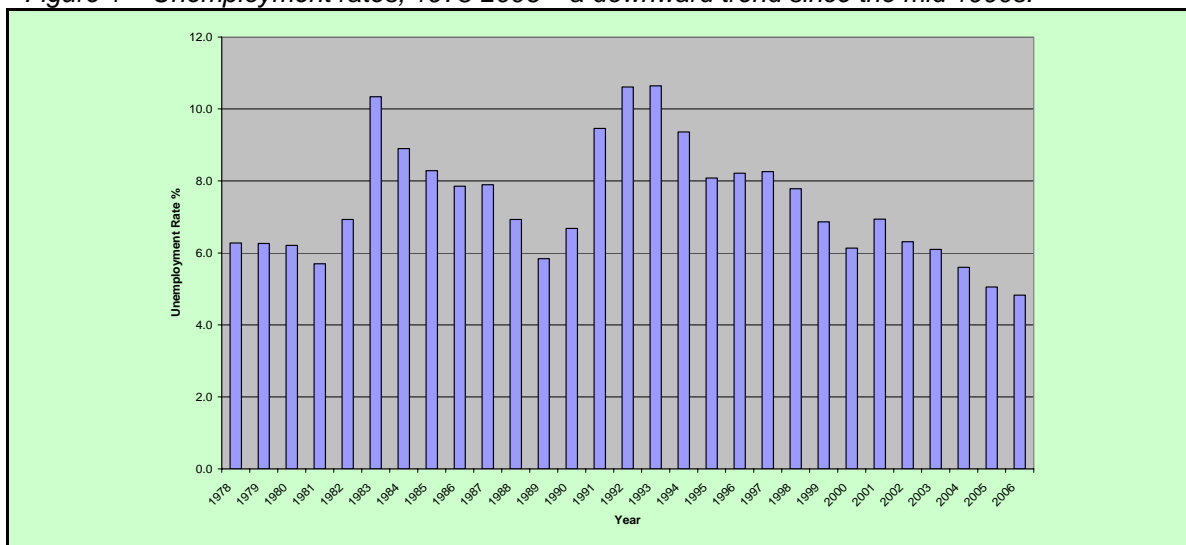
4. Current and Future Employment Trends

4.1. General Trends

A shifting employment market, legislative reform and cultural change are factors that typify the current labour landscape in Australia. Current trends point to a future whereby organisations will continually be required to refine the way they operate especially in the area of human resources and in particular workforce planning.

General statistical indicators provide a clear picture of a tight labour market that is likely to intensify before it subsides. For instance, figure 1 below shows a steady decline in unemployment rates since the mid 1990s. While this must be seen as a positive indicator from a national economic perspective, such trends trigger increased competition within the labour market.

Figure 1 – Unemployment rates, 1978-2006 – a downward trend since the mid 1990s.



Source: Australian Bureau of Statistics

4.2. Maritime Employment Trends

In the international shipping industry, the outlook is much the same as it is in the Australian labour market. A recent study has indicated that there is a 2% (of total workforce) shortfall of officers worldwide.⁷ 2% equates to approximately 10,000 officers. Compounding this problem is the fact that barriers such as language, culture, lack of experience and various national laws often prevent areas of surplus compensating areas such as Australia where there is high demand.

The study also forecasts that towards 2010, the situation will deteriorate to a point where the international shortfall is somewhere in the vicinity of 5.9% of the total workforce.

Evidence suggests that within Australia the demand for suitably qualified seafarers is extremely high, particularly with respect to Deck and Engine Officers. Some employers/operators have suggested that any future growth will largely depend upon their ability to attract, train, recruit and perhaps most critically, retain a competent and sustainable workforce.

A shortage of seafaring skills is also compounded by the fact that the current workforce is ageing. While 32% of Australia's workforce is between the ages of 45-65⁸, this figure is higher where seafarers are concerned with as much as 40% being over the age of 45⁹. Some employers have even reported that as high as 67% of their workforce are over the age of 40.

5. Identified Challenges and Issues

5.1. High Competency Levels

In combating the skills crisis, the high level of seafarer competency required provides a challenge in itself.

It can take up to three years to gain certification as a Deck or Engineer watchkeeper, while to become a Ships Master it can take in excess of 10 years. Obviously strategic initiatives that have a long term focus are required.

5.2. Awareness and Profile

In the present climate a key challenge for all industries will be their ability to attract appropriate candidates. Recently, it has been identified in a number of industry forums that the transport and logistics industry in general has fallen behind other industries when it comes to developing and maintaining a positive image.

⁷ BIMCO/ISF 2005 Manpower Update

⁸ '4102.0 – Australian Social Trends' Australian Bureau of Statistics

⁹ Seacare Annual Report 2006 – Figure 7

Last year (2006) ASA conducted a survey of people predominantly aged 15-25 years of age. The results indicated that general awareness among this demographic was low compared to other transport modes (see figure 2 below). It seems that the maritime industry suffers from its relative isolation and lack of visibility. As we will discuss later, positive steps are being taken by industry to address this issue.

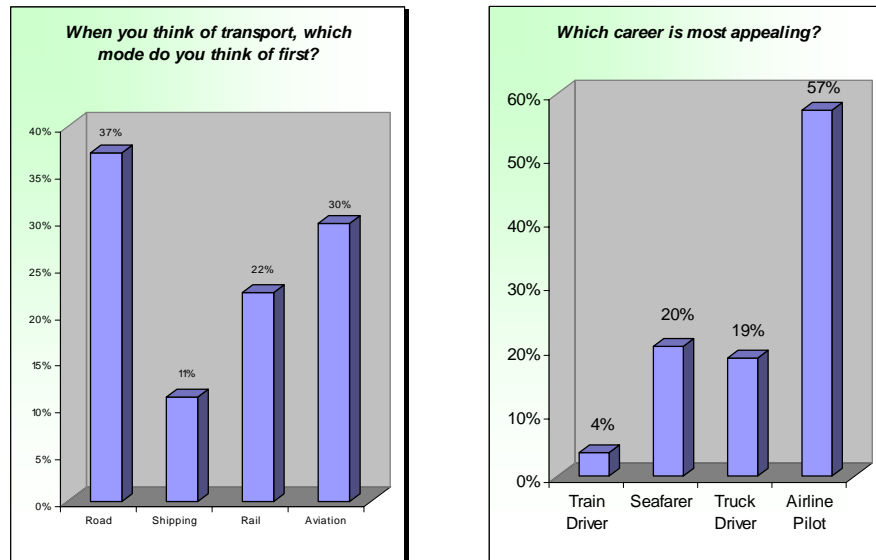


Figure 2: Results of Australian Transport Career Survey 2006

5.3. Competitive Labour Pressures within the Maritime Industry

Traditionally, other sectors within the industry have looked to the trading sector as a valuable source of labour. Often occupations within the broader maritime industry require seafaring experience as a pre-requisite. Various shore based sectors including government agencies (state & federal), port authorities, classification societies, educational & training institutions, surveying organisations, cargo planners, as well as opportunistic employers within the offshore sector (non-trading vessels), value the skills acquired by those who have trained within the seafaring environment and depend on those with such skills to meet their employment needs.

As mentioned in section 3 of this submission, ‘on the job’ training plays a significant part in the attainment of seagoing qualifications. It is a well documented fact that Australia’s registered fleet has declined in recent times. A reduction in ships translates into a reduction in training berths (positions for trainees aboard vessels.). A reduced capacity to train means that employers operating trading ships now find themselves in a position where they are under even more pressure to retain their skills base and are no longer in a position to sustain a training model that sees it as the major labour supply pool for the industry in general.

Essentially, the current seafarer shortage impacts upon a large number of areas within the transport sector. If the seafarer shortage continues or intensifies, not only will the bluewater sector have problems, but from where will the rest of industry source their labour in the future?

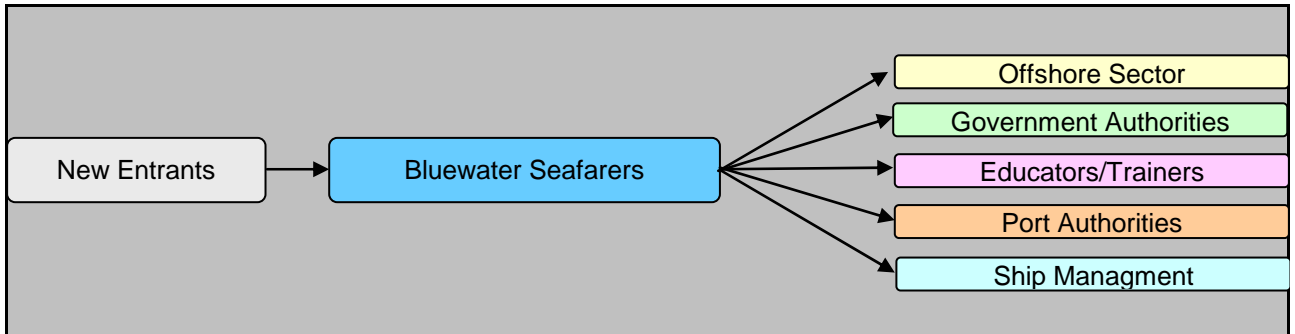


Figure 3: Flowchart showing typical labour flow and career progression of seafarers.

5.4. Income Tax Assessment – the impact of 23AG

Recent Federal Court interpretations with respect to section 23AG of the *Income Tax Assessment Act 1936* have restricted the ability of Australian resident tax payers engaged in foreign service to gain seafaring employment within foreign fleets. Essentially, these interpretations discriminate against seafarers who do not attract the same Australian income tax treatment as those who gain foreign shore-based employment and whose employment arrangements are otherwise identical.

Section 23AG states;

- Where a resident; being a natural person, has been engaged in foreign service for a continuous period of not less than 91 days, any foreign earnings derived by the person from that foreign service is exempt from tax.
- Foreign service means service in a foreign country as the holder of an office or in the capacity of an employee.

Essentially, the interpretations have found that the tax treatments provided for by 23AG do not apply to seafarers during instances where they are engaged on foreign vessels and required to transverse the high seas. Under the ruling, the ordinary meaning of foreign country does not extend to areas such as the high seas: the place where seafarers necessarily ply their trade.

The result of this interpretation means that Australian seafarers (including trainees) are disadvantaged when it comes to securing foreign employment. Australians seeking to work on foreign vessels must either accept lower salaries

(once Australian income tax is paid) or negotiate higher rates than seafarers sourced from other countries.

5.5. State based regulation of Vocational Training

It is apparent that training providers, who are charged with preparing individuals for employment within a national industry, are at times struggling with the State based Vocational Education and Training (VET) system.

Instances have surfaced where it is clear that RTO's have not attracted the full amount of State funding available. We have been advised that this is at least partly due to the complex eligibility criteria that differs from state to state, which often make compliance requirements (in order to attract the funding) too onerous for a national provider of training. The result: increased training costs imposed on the industry.

5.6. The effect of the Federal Government's: Skills for the Future

During 2006 the Federal Government launched a major package of skills initiatives worth \$837 million over five years. In a parliamentary media release the Prime Minister said that the package will '*...deliver more opportunities for Australians to gain new skills and help develop a more entrepreneurial workforce.*'

Although the package is still only in its infancy, initial indications are that the campaign will have little impact in addressing the maritime skills shortage.

The text below critically assesses the initiatives within the Skills for the Future package and considers whether they will positively impact upon the skills crisis within the maritime sector.

Table 2: Analysis of 'Skills for the Future' package

Initiative	Aim¹⁰	Potential impact on shipping sector
<i>Work Skills Vouchers</i>	People aged 25 Years and over who do not have Year 12 Qualifications or equivalent will be eligible for training vouchers up to \$3,000 to assist in gaining qualifications up to Cert. 2 level.	This may assist new entrants undertaking courses to satisfy minimum safety requirements; however, it is unlikely to impact on critical areas where higher level qualifications are required.
<i>Support for Mid-Career Apprentices</i>	Provide support & incentive through weekly	As at 1 January 2007, no maritime occupations are

¹⁰ www.australianapprenticeships.gov.au - Skills_For_The_Future – Information Sheets

	payments for mid-career workers over 30 to upgrade their skills in a trade occupation in high demand.	listed as an occupation of high demand for the purposes of attracting such support ¹¹ .
Business Skills Vouchers for Apprentices	Vouchers up to \$500 provided to apprentices completing a traditional trade to undertake additional business skills training	As at 1 January 2007, seafaring occupations have not been classed as a traditional trade and therefore do not attract Business Skills Vouchers.
More Engineering Places at University	500 more Commonwealth-supported engineering places at University	More research will need to be undertaken to assess the potential impacts of this initiative.
Incentives for Higher Technical Skills	Expanding Aust. Apprenticeship Scheme to include selected Diploma and Adv. Diploma qualifications, particularly in engineering.	As at 1 January 2007, maritime Diploma and Adv. Diploma (including engineering) courses are not listed as being eligible.

6. Current initiatives

6.1. Increasing community awareness and improving the industry image

During 2006, the ASA implemented a strategic initiative developed to increase community awareness, improve the industry’s image and ultimately put careers at sea on the map.

As part of the Australian Logistics Council’s ‘*Logistics, Delivering Careers across Australia*’ campaign, ASA took part in a series of careers and employment expo’s to raise awareness and provide information to school leavers and career advisors. This was the first step in ensuring that the shipping industry is more than just a speck on the radar screen of the wider community.

In 2007 and beyond, the industry will continue to develop and participate in such initiatives.

¹¹ www.australianapprenticeships.gov.au - Skills_For_The_Future – Information Sheets

6.2. Mentoring

ASA has been involved with other T&L stakeholders in developing a series of mentoring tools to assist employers in introducing programs to assist in information and knowledge transfer, not only within individual organisations but also across transport industry sectors. With an aging workforce prevalent in most sectors, mentoring, which focuses on building the knowledge and skills of new entrants through interaction with more experienced colleagues, has been identified as a positive strategy in addressing the shortage.

6.3. Online Sea-Recruit

ASA is currently in the process of implementing a web based recruitment and selection tool that is aimed at optimising and supporting existing practices within the industry. For the first time, career seekers will be able to access a single site to gain information on careers at sea and find out how and where to gain appropriate training and certification as well as apply for seagoing positions.

7. Conclusion and Recommendations

It is clear that the skills shortage is deeply affecting the shipping industry and indeed the broader maritime industry.

Industry itself is on the front foot taking pro-active steps to overcome a crisis that has been identified as a major problem and a potential barrier to growth. Government has demonstrated a willingness to implement innovative initiatives to address the skills shortage, although their impact on the maritime industry appears somewhat negligible. To develop a framework that will assist and complement the strategic steps taken by industry, ASA recommends the following:

- An amendment to section 23AG of the *Income Tax Assessment Act 1936* to provide for equal treatment (when compared with shore-based employees) whilst seafarers are engaged in foreign service will provide an opportunity for a greater number of trainees to be placed within foreign fleets.
- Broaden innovative initiatives such as the Skills for the Future campaign or develop new initiatives to include the training and certification requirements that apply to seafarers.

As we have previously discussed in the body of this submission, the training of seafarers plays a vital role in supporting broader transport infrastructure by way of an employment cycle that often sees them progress to other areas of the industry. With Australia being one of the biggest participants in world seaborne trade, it is imperative that a sufficient seafaring workforce is maintained not only for the efficient operation of trading ships but also to ensure a sustainable transport industry in general is maintained.

In concluding, a collaborative approach that involves all stakeholders, including Government, is vital.