

# Terms of Reference for Strategic Fleet Taskforce

## Australian Government announcement

The Government has announced it will establish a strategic fleet of up to 12 Australian flagged and crewed vessels. The Government has committed to appointing a Taskforce that will provide independent advice to guide its decisions. The Taskforce will provide advice on the establishment of a strategic fleet of Australian flagged and crewed vessels that would be privately owned and operate on a commercial basis, but could be requisitioned by the Government in times of national crisis such as natural disaster or conflict.

## Context

Maritime trade is essential to Australia's economic and social wellbeing. Shipping accounts for 99 per cent of the volume and around 80 per cent of the value of Australia's goods trade. Australia is the fifth largest user of shipping services in the world, predominantly the export of commodities such as iron ore, coal and liquefied natural gas. Australia is a much smaller user of container shipping - accounting for around 1 per cent of global trade - but it is critical for our import of goods including medicines, electronics, whitegoods and inputs to production. The container trade also supports exports such as agricultural products and manufactured goods.

Australia relies on foreign flagged vessels to carry our maritime trade. In 2021, there were 26,400 ship arrivals at Australian ports by 6,170 unique foreign flagged ships. This included 1,100 arrivals by fuel tankers – or around 3 arrivals a day. Reflecting the role of bulk commodities in our maritime trade, 69 per cent of unique ships that came to Australia were bulk carriers with container ships and oil tankers accounting for five per cent each.

Over the last 20 years, the number of vessels in the major Australian trading fleet (vessels over 2000 DWT – dead weight tonnes) has decreased from 37 to 15.

Australia relies on a professional and highly-skilled maritime workforce to ensure our vital maritime trade operates safely and efficiently. Secure employment and skills development pathways are needed to ensure the next generation of Australian seafarers can develop and have the opportunity to perform critical roles such as harbour masters and marine pilots.

Maritime supply chains in Australia and globally have experienced significant disruption due to the COVID-19 pandemic, port congestion and other supply chain issues leading to delays in supply and increased shipping costs. These disruptions have highlighted the interconnectedness and complexity of global shipping supply chains and risks to Australia's economic sovereignty and national security.

## Terms of Reference

To manage these risks the Taskforce will undertake an assessment of Australia's current and future shipping needs and maritime policy settings, including the role an Australian strategic fleet could play in the supply chain and in providing training opportunities. Identifying the strategic need first will help the Australian Government to understand what maritime and supply chain capabilities are required, and how a focused strategic fleet could be designed to best enable the Government to respond to future disruptions.

The Taskforce is expected to:

1. undertake an initial strategic assessment of:
  - a. Australia's current and future shipping freight needs

- b. the types of disruption that may occur, including natural disasters, in coastal and international shipping and how they would affect Australian industry and society, and
  - c. which of the identified freight needs the Government should position itself to influence and the level of control the Government could have with a strategic fleet of vessels.
- 2. Based on the findings of the initial strategic need's assessment, undertake an assessment to identify:
  - a. preferred composition of the proposed fleet (number of vessels, type, age and capabilities required);
  - b. types of cargo that could be moved;
  - c. industries likely to use the fleet;
  - d. potential commercial partners;
  - e. routes on which vessels could operate commercially;
  - f. costs associated with establishing and maintaining the fleet;
  - g. workforce issues including any current or anticipated structural shifts in the nature and type of work in the Australian shipping industry, and the opportunities for a strategic fleet to provide secure employment, education and skills development pathways for the Australian maritime workforce;
  - h. associated risks including economic viability, market distortion, trade risks and effect on onshore users of shipping and on other transport modes; and
  - i. opportunities for a fleet to contribute to other Australian Government priorities and initiatives such as:
    - responses to emergencies and natural disasters, including the disaster ready fund;
    - supporting Defence or national mobilisation requirements;
    - building a more secure and resilient Australia by deepening partnerships with regional neighbours;
    - enhancing critical supply chains including Defence material;
    - supporting industry development and manufacturing initiatives;
    - trade diversification; and
    - reducing carbon emissions and future fuels development.
- 3. examine methods to encourage shipowners to reflag vessels and employ Australian seafarers to give the Australian Government the maritime capability it requires and provide advice on the likely effectiveness of each method;
- 4. identify any other maritime policy options outside of the strategic fleet that would provide the government with a direct ability to reduce supply chain risks;
- 5. provide an indicative impact assessment of the effect that establishing a fleet would have on the Australian shipping industry, Australian users of shipping, the operation of Defence commercial vessels, the economy and national security;
- 6. assess whether the current regulatory framework is fit for purpose to support establishment of a strategic fleet, and provide advice on where the regulatory environment may need to change including:
  - a. any adjustments to Australia's maritime taxation arrangements;
  - b. any adjustments to vessel registration and coastal shipping regulatory frameworks;
  - c. analysis of regulatory and cost implications for users of shipping, Australian vessels and foreign vessels;
  - d. how any proposed changes would support the strategic needs identified in the initial strategic needs assessment; and
  - e. the regulatory arrangements needed to enable the Government to requisition and redeploy vessels in times of crisis.

7. identify opportunities to partner with states, territories or New Zealand on matters related to the work of the Taskforce.
8. consider any other matters related to the Taskforce's objective.

The Taskforce will engage in broad stakeholder consultation to ensure a range of views are considered. The Taskforce will also commission industry expert advice as appropriate to ensure any recommendations are commercially viable and supported by data and analysis. Advice will also be sought to ensure recommendations comply with Australia's international obligations. The Taskforce should consider the potential to demonstrate options through undertaking pilots or adopting a phased introduction.

The Taskforce should have regard to any recent policy reviews, reports or research commissioned by Australian governments related to the work of the Taskforce.

### Out of Scope

The Taskforce will not:

1. compile a list of goods it considers critical to Australia, rather it will provide information on the capacity/capability needed to allow the movement of types of cargo that are critical
2. draft changes to specific pieces of legislation, rather it will advise on broader reforms needed
3. provide advice on specific existing vessels that could be chartered or otherwise engaged.

### Governance

The Taskforce will report to the Australian Government through the Minister for Infrastructure, Transport, Regional Development and Local Government. The Taskforce is an advisory body only.

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts will provide the secretariat for the Taskforce. The secretariat will be supplemented by officers from other Commonwealth agencies. The secretariat will also obtain internal and external expert commercial and legal advice and data analysis as appropriate.

### Membership

The Taskforce will be Chaired by Mr John Mullen. The Taskforce includes representatives from the Australian Government, shipping industry, major charterers, unions and Australian business.

The membership of the Taskforce includes: Dr Sarah Ryan, Mr Paddy Crumlin, Ms Angela Gillham and Major-General Jason Walk.

### Timeframes

The Taskforce will provide an interim report to the Australian Government by 30 December 2022 with findings from the initial strategic assessment as described in item 1 of the Terms of Reference. The interim report should include advice on any early actions it has identified that the Australian Government could take consistent with the full Terms of Reference.

The Taskforce will provide its final report to the Australian Government by 30 June 2023.

-END-