



# AIMPE

## Australian Institute of Marine and Power Engineers HEAD OFFICE

22<sup>nd</sup> October 2009.

Dear Minister

**Re: A new tanker ship for Australia**

There were celebrations in Brisbane this month following the arrival of a new tanker ship for Caltex Australia. A new ship is a major decision for any company – even a major industrial corporation like Caltex. AIMPE congratulates Caltex and its operating partner Teekay Shipping Australia upon the introduction of this near-new ship onto the Australian coast.

The new ship is called the *Alexander Spirit* and is the subject of a 10 year contract between Caltex Australia and Teekay Shipping (Australia). The *Alexander Spirit* will carry petroleum products on the Australian coast – principally from Brisbane to ports further north in Queensland. The *Alexander Spirit* replaces the recently departed tanker ship, *Barrington*, which had operated in the Australian coastal shipping industry since it was built in South Korea in 1989.

Apart from being newer and bigger, there are some other important differences between the *Alexander Spirit* and the *Barrington*. The *Barrington* was an Australian flag ship owned by an Australian company – Barrington (Australia) Pty Ltd. [ACN 080 850 559]. By contrast the *Alexander Spirit* is not an Australia registered, Australian flag ship. It is a foreign flag ship registered in the Bahamas. It is owned by a foreign company- Alexander Spirit LLC - which is in turn located in the Marshall Islands.

The Caltex/Teekay decisions about the registration and ownership *Alexander Spirit* contain further warning signs about the future of the Australian shipping industry. Unless there is a change in the shipping policy settings put in place by the Howard Government, the decline of the Australian flag fleet will continue until there are no Australian registered, Australian flag trading ships left at all.

AIMPE understands that the underlying reason for the structure of the new arrangements is financial. The cost structure is substantially cheaper if the vessel is owned by a foreign company. A foreign flag, foreign owned ship's earnings are not subject to Australian corporate taxation laws.

This is not a question of crew costs – Teekay is operating the *Alexander Spirit* with a full Australian crew under the same terms and conditions as they received when they were sailing the *Barrington*.

The Howard Government's shipping policy drove ships away from the Australian flag.

The Australian flag fleet dwindled from 75 ships in 1996 to less than 40 in 2007. With the departure of the *Barrington* [following the loss of the *Fitzroy River* and the *ANL Bass Trader* in September] the number is now approaching 30 Australian registered, Australian flag trading ships.

As a result of this trend, Australia is losing the economic benefits that a strong and vibrant shipping industry can deliver to a nation.

Australia is losing the capacity the train skilled seafarers who can progress to the numerous shore-based positions which need experienced personnel [Fleet Superintendents, Marine Surveyors, Pilots, Harbourmasters etc].

Australia is also losing the opportunity to become a hub for shipping services such as marine insurance, marine finance, naval architecture etc which all benefit from a sound foundation of a strong local shipping industry.

When marine pollution incidents like the oil spill from the *Pacific Adventurer* in Moreton Bay or the *West Atlas/Montara* well blow-out in the Timor Sea happen Australia suddenly realises the need for our own high level marine expertise.

Without a decision to change the former Government's policy settings the Australian flag fleet will continue to dwindle away towards the vanishing point. The benefits of having an effective Australian flag coastal shipping industry may well follow the same path.

Yours faithfully,

Martin Byrne  
Assistant Federal Secretary