

The Hon Kevin Rudd MP
Prime Minister
Fax: (07) 3899 5755

17th August, 2009

Dear Prime Minister,

The UK Tonnage Tax and the Balance of Payments

Following up on our correspondence last month about the economic impacts of the Federal Government's shipping policies, AIMPE would like to bring to your attention the potential impact of positive shipping policies.

Enclosed is an extract from a publication titled "United Kingdom Balance of Payments: The Pink Book, 2009 edition". What this shows is that the UK has reaped significant benefits from the implementation of its tonnage tax at the beginning of this decade.

According to the UK Office of National Statistics figures, sea transportation recorded a surplus of £4.3 billion in 2008. This is the fifth year in a row that sea transportation has recorded a surplus – before 2004 the sector recorded deficits. The ONS states:

“The move from deficit to surplus can be explained by the increase in the size of the UK fleet following the introduction of tonnage tax in 2000.”

This situation is a stark contrast to the \$8 billion deficit on shipping services that is recorded in the Australian Bureau of Statistics Balance of Trade publications.

The solution is not just as simple as the introduction of a tonnage tax alone – but that is a vital element of a positive shipping policy that Australia urgently needs.

AIMPE understands that the Rudd Government is committed to the revitalisation of the Australian shipping industry. The Balance of Payments turnaround achieved by the UK over the last 8 or 9 years should provide the Australian Treasury, Finance and Trade Departments with clear and undeniable evidence of the potential impact of positive shipping policies on our national finances.

Once again AIMPE would be happy to meet with you to discuss these matters further. Shipping policy is clearly within the purview of the Infrastructure and Transport Minister, your colleague Hon Anthony Albanese, but every Cabinet Minister needs to be fully aware of the national importance of this issue.

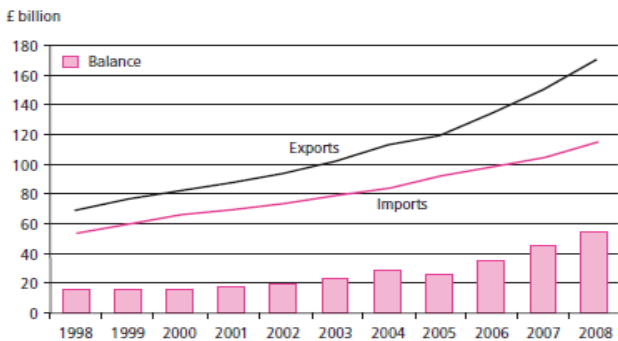
Yours faithfully,

Martin Byrne
Assistant Federal Secretary

Summary

A surplus has been recorded for trade in services in every year since 1966. There was an increase in the surplus from £44.8 billion in 2007 to £54.5 billion in 2008. During the latest year, exports of services increased by 13.1 per cent while imports of services grew by 9.5 per cent (compared to growths of 12.2 per cent and 6.4 per cent respectively in 2007). Of the 11 main product groupings, nine showed surpluses and two (travel and government services) showed deficits. The increase in the surplus was mainly driven by an increase in the financial services surplus, reflecting an increase in exports of FISIM by monetary financial institutions.

Figure 3.1
Trade in services



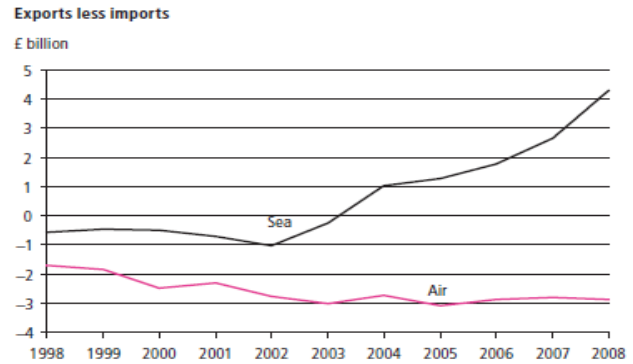
Transportation

Transportation services relate mainly to freight services on exports and imports of goods, and provision of passenger services. They are presented by mode of transport: sea, air and other. In 2008 transportation services accounted for 12 per cent of total exports and 18 per cent of total imports of services.

Sea transportation recorded a surplus of £4.3 billion in 2008 continuing on from surpluses for the previous four years. Prior to this sea transportation recorded deficits. This surplus reflects an increase in exports of freight services provided by UK shipping operators. The move from deficit to surplus can be explained by the increase in the size of the UK fleet following the introduction of tonnage tax in July 2000.

The UK has recorded a deficit on air transport services in every year since the mid 1980s. The deficit increased from £2.8 billion in 2007 to £2.9 billion in 2008.

Figure 3.2
Trade in sea and air transport services



Travel

In 2008, travel expenditure by non-residents visiting the UK accounted for 12 per cent of total exports of services, while expenditure by UK residents traveling abroad accounted for 32 per cent of total imports of services. The travel deficit has grown significantly since the late 1990s. The £17.7 billion deficit in 2008 was the highest on record, up from £16.4 billion in 2007. Exports of travel services to non-resident visitors to the UK increased by 1.6 per cent in 2008 to £19.6 billion, while imports by UK residents traveling abroad grew by 4.4 per cent to £37.3 billion.

Figure 3.3
Trade in travel services

