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PARLIAMENTARY DEBATES



THE SENATE

PROOF

BILLS

Shipping Legislation Amendment Bill 2015

Second Reading

SPEECH

Wednesday, 25 November 2015

BY AUTHORITY OF THE SENATE

SPEECH

<p>Date Wednesday, 25 November 2015</p> <p>Page 101</p> <p>Questioner</p> <p>Speaker Xenophon, Sen Nick</p>	<p>Source Senate</p> <p>Proof Yes</p> <p>Responder</p> <p>Question No.</p>
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Senator XENOPHON (South Australia) (18:53): I acknowledge a number of the points made by Senator Abetz in his eloquent contribution in favour of the Shipping Legislation Amendment Bill 2015. He talks about issues of inefficiencies, rorts and matters that must be attended to. But I cannot support this bill because it will have a very counterproductive effect in respect of Australian shipping. It purports to strengthen Australian shipping, but it will do the opposite. It will deskill our Australian shipping workforce. It will basically gut Australian shipping. On what argument do I rely? On what basis do I say this? Is it the MUA? Is it others who say that this is not worth doing, that it is too risky to do? No. And this is not a prop, so I will not get into trouble with you, Acting Deputy President Williams. This is the government's own explanatory memorandum of the bill. It is a thing called a RIS, not risible, a regulatory impact statement—and it does make me risible reading this, though. It states:

Many of the operators currently operating under the Australian General Register would likely re-flag their vessels in order to compete with the foreign operators who enjoy the benefit of comparatively lower wage rates. Australian seafarer jobs would be adversely affected as Australian operators re-flag from the Australian General Register.

It goes on:

Ship operators are likely to replace Australian seafarers (paid under EA rates) with foreign seafarers (paid under ITF rates)—

in other words, lower rates. The government's own regulatory impact statement in the explanatory memorandum explains it all.

This will kill Australian jobs. This will destroy Australian jobs in the shipping industry. I acknowledge there is work to do. I acknowledge the genuineness and the concern of the Deputy Prime Minister, the minister involved, who says that we need to be more efficient. I acknowledge that. But this is not the way to do it. You do not throw the baby out with the bathwater. You do not just get rid of, effectively, the Australian shipping industry because it will gut Australian shipping. There will be no chance to get it back. There will be foreign flagged vessels with no real Australian workforce.

I acknowledge there are issues with the current licencing system for coastal shipping. This bill is not the way to overcome these issues. Inefficiencies in the licencing system cannot be rectified at the expense of mass Australian job losses. If the MUA is not efficient, if the MUA is not doing the right thing, if there are rorts involved then let's tackle those head-on. This bill will destroy Australian jobs.

This bill removes three key objectives from the coastal shipping act that make specific reference to long-term growth, efficiency and reliability of the Australian shipping. So it is actually removing those key elements from the act—growth, efficiency and reliability. These worrying omissions have set the scene for what could turn out to be a nightmare for Australian seafarers and Australian jobs.

The Shipping Legislation Amendment Bill seeks to abolish the four permits currently available to all ships and replace them with a single permit. The result of this change will be to level the playing field, so-called, between Australian and foreign flagged ships. But we know there is no level playing field. You cannot compete with—what did Senator Rice say they get? Was it \$2 an hour? It is like those two-dollar shops; those two-dollar ads.

Senator Sterle: The Reject Shop.

Senator XENOPHON: Well, this bill does not even belong in The Reject Shop. The bill's own regulatory impact statement makes the point that this will cost jobs. The story of Bill Milby from North Star Cruises struck a chord with the Australian public. North Star Cruises operates luxury passenger cruises along the Kimberley Coast. On 7

September this year, Mr Milby gave powerful evidence to the Senate's Rural and Regional Affairs and Transport Legislation Committee's inquiry into this bill. I would like to read out a portion of his evidence now. He said:

I cannot emphasise enough the difficulty Australian tour and expedition passenger ships will have in competing with foreign ships—foreign ships with a lower cost base that is brought about because they employ a foreign crew that is paid a much lower wage base than our Australian crew. I do not resile from the comments that I made in the submission. That is why I have no amendments. In particular, the comments regarding the advice that was given to me—the suggestion as to how we could survive if foreign cruise ships were allowed to compete directly against us. That suggested advice was that we re-flag *True North*, which is an Australian-flag ship—in other words, take it away to some country of convenience for flag of convenience, re-flag it, lay off our Australian crew apart from the two designated senior people that we have to have under the legislation, put on a foreign crew and bring it back. That was how we could compete with the foreign ships that would come down and operate on our coastline. First of all, I was dumbfounded that that was actually being suggested by a government department. I asked at that time why we should have to do this. The answer given was, 'Because we are in an international market, so we have to be internationally competitive.' I am still speechless about it; I really am.

Mr Milby is not the only one who is speechless. I thought the government was genuinely about building jobs not destroying them with a piece of legislation such as this.

This bill is not the tool we need to strengthen Australian shipping. There are improvements that can be made to the industry, and I hope the government will work constructively with non-government senators—with the opposition and the crossbench. I acknowledge we need to have reforms in Australian shipping, but this is not the way. What killed this bill off for me was the government's own explanatory memorandum at page 156. This bill will be completely counterproductive.

But I acknowledge some of the real concerns. Incitec Pivot Ltd, IPL, is a great company that, sadly, has recently had to invest in one of its plants overseas because it felt the investment environment here was not good enough. So I acknowledge the problems it has. Incitec Pivot is a great company that employs many, many Australians. In its submission to the inquiry, it gave an example of the inflexibility of the current permit system. This year IPL chartered a ship to carry fertiliser from its manufacturing plant in Brisbane to its distribution centres in Geelong and Adelaide. However, in the time that the licence was applied for and then approved and the ship chartered, demand for the fertiliser had increased in Geelong. The conditions on the permit would not allow the ship to unload more than an extra 400 tonnes of fertiliser, despite the fertiliser being available and the ship capable of offloading it. As a result, Incitec Pivot Ltd had to transport the fertiliser to Adelaide, where it was then placed on 40—four-zero—B-double trucks to be driven to Geelong. The cost of this exercise was an additional \$75,000 to Incitec Pivot Ltd. That is crazy. It is wrong, and I understand why the government wants to reform that. We need to have a more flexible permit system.

So clearly the rigidity of the permit system is causing issues for Australian business that must be redressed, but this bill is not the way to do it. It goes too far. When you have government departments telling Mr Milby, 'Get rid of your workforce, because that's how the world works,' I do not accept that. That is not the attitude that the Australian government should have when it comes to Australian jobs. Something has to change, but this is not the bill to change it. It cannot come at the expense of mass lay-offs of Australian jobs, nor can the cost savings.

I spoke earlier about the concerning statements in the regulatory impact statement of this bill, and there is another section that raises a red flag to me. That is the finding that, of the \$21.4 million of projected savings arising from this bill, approximately \$19 million will come from savings in labour costs—in other words, laying off Australian workers. That is \$19 million in wages being ripped away from the pockets of Australian workers—Australian seafarers—and the families they support.

The impact these reforms will have on land transport must also be acknowledged. The Freight on Rail Group expressed concerns about the unfair competitive advantage that the proposed reforms would give to foreign ships over Australian-owned modes of transport. Where is Senator Sterle when I need him? He knows a thing or two about the trucking industry. There he is! He is right there. He has joined the Greens, has he? I am not sure if the Greens would welcome Senator Sterle. He has caused them a lot of grief. This would result in a reduction in market share of rail freight movements for long-haul journeys. The rail transport industry relies heavily on economies of scale in order to maintain a competitive presence. With a shift in demand from transport by rail to transport by sea, there will be flow-on effects in this industry and the families it supports also.

So this has not been thought through. I understand what the Hon. Mr Truss is trying to do. He is worried about competitiveness. He wants to ensure that this permit system, which needs to be overhauled, is no longer an unnecessary impediment. But what the government is proposing to do would have adverse impacts on road and rail as well, with job consequences from that, and that is something that I think Senator Sterle is deeply concerned about.

Australian coastal shipping does need reform, but when you have Australian shipowners saying, 'We don't want these reforms,' but those shipowners who are effectively representing foreign-owned vessels saying they want the reform, you know there is a problem. When Australian shipowners have a problem with this legislation, we should have a problem with it as well.

I encourage Minister Truss to continue consulting with industry, with workers and with people like Incitec Pivot. We need to get reforms through. I met with former Minister Albanese in relation to this. He has given me his undertaking—and I hope he does not mind my saying so—that he is willing to sit down constructively with the government to work through these issues and get a solution so that we can have an improved system in place and get rid of those anomalies which meant Incitec Pivot had to spend \$75,000 unnecessarily and stupidly because of a permit system that is not working. But when the regulatory impact statement says this is going to kill off Australian jobs, in effect, and when the government's own explanatory memorandum spells it out in black and white, in good conscience I cannot and will not support this bill.