

# AIMPE Submission

Senate Rural, Regional Affairs & Transport References Committee  
Inquiry into the policy, regulatory, taxation, administrative and  
funding priorities for Australian shipping



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## **Background**

The Australian Institute of Marine and Power Engineers is the registered organisation which represents qualified Marine Engineers throughout Australia. AIMPE came together as a national body in 1881 after several years during which local organisations were formed in the various colonies of Australia and New Zealand.

AIMPE members operate, maintain and repair marine vessels of all sorts including commercial cargo ships of all types and sizes as well as vessels dedicated to the offshore oil and gas sector, tugboats, dredges, ferries, defence support craft, research vessels and Border Force vessels.

AIMPE appreciates the opportunity to make a submission to the Senate Committee about the policy, regulatory, taxation, administrative and funding priorities for Australian shipping because shipping, and the coastal shipping sector in particular, is a vital sector of the Australian maritime industry.

## Executive Summary

AIMPE has observed a significant decline in employment levels for Marine Engineers in Australia over the past 5 years. This has been caused by the end of a number of major offshore oil and gas developments (several of which also involved large capital dredging works) together with a continuing decline in the coastal shipping sector. This has been reflected across the other departments within the industry. Deck Officers and Ratings have suffered similar declines.

All of the foreign flag/Australian crewed vessels that were issued with Transitional General Licences in 2012 have been withdrawn from operating in Australia including all of the tankers that were servicing the coastal trade in petroleum products. The Australian seafarers who worked on these vessels have lost their jobs. In addition, several Australian flag ships have been withdrawn causing more job losses. The cargoes of these ships are now routinely being carried by foreign flag ships with foreign crews operating under Temporary Licences.

To reverse this serious decline in the employment base of the maritime industry, the Australian Government needs to adopt a range of positive support policies including:

1. Establish a new Maritime Development Agency;
2. Introduce corporate taxation concessions and seafarer taxation arrangements at least equivalent to Singapore;
3. Require all companies receiving tax concessions to undertake ongoing seafarer training on all vessels;
4. Amend the Shipping Registration Act and State & Territory legislation to require all vessels operating in Australian waters to be registered in Australia;  
and
5. Make the ATSB the single national marine incident investigator.

# Maritime Australia

## *A plan for renewing Australia's maritime economy*

Australia is an island nation which generates more than 10% of the world's seaborne trade. The Australian Maritime Safety Authority (AMSA) takes responsibility for search and rescue functions over an extraordinary 53 million square kilometres (one tenth of the Earth's surface). However, Australia has not fully realised the massive potential of our own Exclusive Economic Zone and extended Continental Shelf.

As a nation we have allowed others to take the lead and reap the rewards from developing our maritime industry. The time is ripe for all sides of Australian politics to realise this reality; to take a decision to change course and act now to ensure that the Australia maritime industry can develop the extraordinary potential to the benefit of Australians generally.

The Australian naval defence rebuilding program is massive:

- ❖ \$50 billion submarine building project
- ❖ \$26 billion frigate building project
- ❖ \$640 million oiler building project
- ❖ \$350 million patrol boat building project

Additionally, Australia deploys a significant border protection fleet to carry out a variety of functions including immigration and fisheries enforcement.

However, Australia's policy and fiscal support for the Australian commercial maritime industry is negligible. This needs to change. Australian Government policy needs to positively support the Australian domestic maritime industry. This should be a bipartisan policy matter because it is not in Australia's national interest to have foreign personnel in complete control of vessels operating continuously in Australian waters.

The Australian domestic maritime industry is comprised of many different sectors including:

- Coastal shipping;
- Offshore oil and gas;
- Towage and port operations;
- Ferries and tourism; and
- Fishing and Aquaculture.

The inter-relationships between the various sectors of the Australian maritime industry are many and varied. Australian Government policy needs to recognise the diversity of the whole industry and address the needs of all sectors.

## ***Maritime Development Agency***

Australia lacks a body which is resourced to promote the development of the Australian domestic maritime industry. The main task of the Shipping Business Unit within the Department of Infrastructure and Transport appears to be to issue Temporary Licences to foreign flag vessels with foreign crews to carry cargoes within Australian waters.

Over 14,000 “temporary” licences have been issued since July 2012. Each time such a licence is issued it is effectively transferring economic activity from an Australian vessel operator with Australian seafarers to a foreign operator with foreign seafarers. The foreign operator has a much lower cost structure because they do not pay the same corporate taxes as the Australian operator and their seafarers do not pay income tax.

The current system is stacked against the Australian maritime industry.

Australian needs instead a body which is charged with growing the Australian maritime industry – growing the number of Australian registered vessels and the number of Australian seafarers employed on them.

The USA has a substantial agency called the Maritime Administration which is charged with promoting the American domestic maritime industry. It has bipartisan support in Washington. Australia could take some lessons from our major ally in this key policy area.

### **Recommendation 1: Establish a new Maritime Development Agency**

## ***Maritime Taxation***

One of Australia’s nearest neighbours Singapore has been extremely pro-active towards maritime industry activities. Singapore introduced zero taxation on corporate income for the maritime sector in 2011. The announcement at the time indicated that this was a 10-year initiative. It now looks like a permanent tax policy. Australia has not matched this policy and Australian maritime companies are operating at a severe disadvantage. Some have responded by relocating part or all of their maritime operations to Singapore offices. This is a rational response to the current divergent policy settings in the two countries.

Singapore favours maritime companies and encourages them with a highly favourable taxation regime. With the exception of the Bass Strait policies, Australia seemingly ignores maritime companies and has relatively ineffective policies which have not promoted Australian maritime activity.

Most nations with significant numbers of international seafarers support these individuals by exempting them from taxation on their personal income if they are out of the country for 180 days or more per annum. The current Australian policy on seafarer taxation has been ineffective due to the restrictive nature of the regulations. And the foreign seafarers who crew the foreign ships trading on the Australian coast under Temporary Licences are generally able to take advantage of their status as international seafarers to pay no income tax in their home country. This is a significant financial advantage to the foreign ship operators.

**Recommendation 2: Introduce corporate taxation concessions and seafarer taxation arrangements at least equivalent to Singapore**

***Maritime Skills development***

Australia needs a strong and growing maritime workforce with the skills to operate a wide range of vessel types and functions. A country with 30,000 kilometres of coastline cannot ignore the strategic importance of such a maritime workforce. As with the rest of Australian society the current maritime workforce is ageing and a new generation of workers with seagoing skills is required.

It is not acceptable for Australia to rely on the importation of foreign seafarers to provide seagoing skills for the Australian maritime industry. Training of Australians in Australia needs to be an integral component of the renewal of the workforce. A tripartite Australian Skills Authority should be established to ensure that temporary foreign workers are not used as a substitute for Australian workers.

The seagoing skills delivered will need to be up to date and provide the next generation of seafarers with the capability to manage the foreseeable changes in vessel operations that will come with the next wave of technological change that is being trialled in several parts of the world.

The acquisition and development of seagoing skills requires extensive practical seagoing experience. This cannot be obtained ashore. It cannot be obtained online. It must be obtained on board vessels. All Australian vessel operators should be required to participate in the development of the next generation of Australia's maritime workforce. This should be a requirement of Government policy support – the industry should support the renewal of the seagoing workforce. This means that vessel operators must facilitate training on board their vessels or else they should not qualify for any Government policy support.

The supply of personnel with seagoing qualifications and experience is also vital to ensure

that Australia can continue to fill the various shore-based maritime roles throughout the country including maritime convention enforcement and compliance and port operations. The UK placed a training obligation on shipping operators who wished to take advantage of the UK tonnage tax regime. A similar rationale should apply to Australian Government policy support for Australian vessel operators. If maritime companies are to be granted the same taxation benefits as are provided by the Singaporean Government then there must be an obligation on these companies to train personnel to the highest skill levels. The maritime industry like most others is moving towards greater levels of automation and digitisation. The ships of the future will require highly skilled personnel and these personnel should be trained here in Australia, in Australian institutions (including the Australian Maritime College UTas, NSW TAFE and WA TAFE).

### **Recommendation 3: Require all participating companies to undertake ongoing seafarer training on all vessels**

#### ***Maritime laws***

One reason for the decline of Australian shipping in recent decades has been the existence of a significant loophole in the Shipping Registration Act (SR Act) which allows vessels to operate in Australian waters continuously without registering in Australia. Australian needs to close this loophole.

By contrast, Australia's aviation laws make it an offence to fly a plane between two Australian airports if the plane is not registered in Australia. A similar policy approach needs to be implemented in the maritime industries.

Any vessel operating in Australian waters [the Exclusive Economic Zone and extended continental shelf] for more than 30 days should be required to register under the SR Act. This would mean that vessels operating under repeat Temporary Licences would be required to transfer registration to Australia including:

- Luga [ex Alcem Lugait]- 440 temporary licence voyages since 2012;
- ICS Silver Lining – 395 temporary licence voyages since 2012;
- Stadacona – 231 temporary licence voyages since 2012;
- Glory Atlantic – 215 temporary licence voyages since 2014;
- Gas Defiance – 117 temporary licence voyages since 2013;
- Gas Shuriken - 105 temporary licence voyages since 2013;
- UBC Canada – 52 temporary licence voyages since 2017;
- Adelie – 49 temporary voyages since 2017;
- Acacia – 26 temporary licence voyages since 2017;

The above vessels are examples of inter-State trading ships which are operating continuously in Australian waters under temporary licences. The business model is clearly not a temporary arrangement it is a long-term operating model designed to avoid the application of Australian laws which comes with Australian registration and obtaining a General Licence under the coastal trading legislation.

Another trend which has been very clear since the introduction of the Coastal Trading Act is the pattern of certain companies rotating the foreign flag vessels that they use so that they are not using the same ship(s) all the time. However, these companies are exploiting the Temporary Licence system just as much as those companies which consistently deploy the same ship(s) carrying the same Australian coastal cargoes. For instance, one high profile, international operator has obtained Temporary Licences for around 800 voyages and used over 140 different ships to carry out those voyages. This manipulation of the Temporary Licence system should be addressed by the imposition of limitations on the number of Temporary Licences that a company or group can receive in each year.

As mentioned at the outset there is a great deal of diversity to the Australian maritime industry – beyond the inter-State coastal shipping sector. There should be a change of policy to ensure that State and Territory marine safety legislation is compatible with the SR Act and remove any loopholes which allow foreign registered vessels to operate continuously in State and Territory waters – including port and harbour vessels. For example:

- Singapore registered bulk ships trading in Queensland waters;
- Maltese registered tugboats operating in Port Hedland;
- Norwegian Offshore Support Vessels operating out of Dampier;
- Danish Offshore Support Vessels operating out of Darwin;
- Bahamas registered bunker barges operating in Port Jackson and Port of Melbourne;
- Singapore registered barges operating in Cape Preston;
- Bahamas registered Offshore vessel operating out of Darwin;
- Singapore registered Offshore vessel operating out of Darwin;
- Singapore registered Offshore vessel operating out of Broome;
- Danish registered dredge operating in Fremantle Ports; and
- Norwegian registered aquaculture vessel operating in Tasmanian waters.

**Recommendation 4: Amend the Shipping Registration Act and State & Territory legislation to require all vessels operating in Australian waters to be registered in Australia.**

### ***Maritime Safety Investigations***

Implementation of the proposed amendment to the SR Act will have a positive safety consequence. It will make it clear that Australia vessel safety laws apply (which is currently very unclear in relation to the foreign vessels operating continually in Australian waters).

A further improvement would also be achieved by amending the Australia Transport Safety Bureau legislation to make the ATSB the single national marine incident investigator. Although Australian Governments have implemented the decision to have AMSA as the single national safety regulator for the Australian maritime industry, the ATSB does not have equivalent jurisdiction in relation to incident investigation. In some incidents the safety investigator from the foreign flag country has conducted the incident investigation. In other incidents it has been a State or Territory investigator which as conducted the investigation. The ATSB is not the single national safety investigator for the Australian maritime industry. Some State/Territory jurisdictions retain a marine safety investigation function.

The ATSB has a clear and transparent investigation and reporting regime which is focussed on safety improvement rather than the blame attribution. Legislative steps should be taken to extend the ATSB responsibility and jurisdiction so it is effectively the single national maritime transport safety investigator.

**Recommendation 5: Make the ATSB the single national marine incident investigator.**