

**Strategic Fleet Report and the Government's Response - Industry update  
14 November 2023**

**Attendees:** s22(1)(a)(ii)

s47F

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**Speaker**

**Discussion**

s47F

**Question:**

*Timing of CT Act - could take place or be completed before Strategic Fleets are procured for the pilot of the Fleet? Elaborate how the recommendation is agreed when the core element to support Strategic Fleet is put off for a while?*

**Response:**

*The review of the CTA considers how it can support the implementation of the fleet. We understand there are challenges in implementing the changes to the legislation and that the changes may not line up to when the ships hit the water. However, the purpose of the review is to ensure the legislation will support implementation of the Strategic Fleet (SF).*

s47F

**Question:**

*Does the recommendation to levy arriving vessels mean imports?*

**Response**

*It is around all arriving vessels, not only imports*

s47F

**Question:**

*double dip on all arriving vessels regarding levy - will we be charged twice?*

**Response**

*levy will take time to determine what levy will look like and how that can be worked out. Specific design of levy is still to be worked through.*

s47F

**Question:**

*during Task Force (TF) consultation, one key aim is that there is no change in competitiveness of industry - with review of CTA, will that carry through to ToR as well. Interested to know will review ensure maintaining competitiveness of domestic manufacturing?*

	<p><b>Response</b></p> <p><i>Government response is that there is a need to maintain competitiveness. We don't want competitiveness of industry to be undermined by implementation of Strategic Fleet. It is more about ensuring Australian vessels are competitive with international vessels</i></p>
s47F	<p><b>Question:</b></p> <p><i>Recommendation regarding review of SRA - is that a condition precedent for SF implementation?</i></p> <p><b>Response:</b></p> <p><i>No, not necessarily. SRA is an area where the Taskforce (TF) strongly wanted to make sure its operations are efficient and not an impediment to the SF. We are looking to progress legislative changes to support the SF as early as possible but there is a process to get legislation through Parliament. It is up to Parliament to decide what legislation they pass. This can be out of our control but we will work through that in the review to understand the implementation arrangements in more details</i></p>
s47F	<p><b>Question:</b></p> <p><i>clarity around levy - my understanding of the government response was that it's not government policy to implement the levy. Is this a part of later set of reforms?</i></p> <p><b>Response</b></p> <p><i>Consideration of whether to implement levy is part of later reforms. Government hasn't made a decision to progress levy yet.</i></p>
s47F	<p><b>Questions:</b></p> <ol style="list-style-type: none"> <li><i>1. Coastal shipping and implementation and consultation - timeline of when legislative reforms will be done for CTA? In recs suggests CTA will have a provision where general licence holder will have an ability to get a temporary licence - will that be subject to consultation?</i></li> <li><i>2. that will be done by department?</i></li> </ol> <p><b>Responses:</b></p> <ol style="list-style-type: none"> <li><i>1. can't provide certainty regarding review and process of CTA - objective is to start that next year early once we get ToR going. Changes will be subject to consultation.</i></li> <li><i>2. department will lead in setting review up and working with Minister to do it but how it will be done is not set yet.</i></li> </ol>
s47F	<p><b>Question:</b></p> <p><i>Levy - do we have a view of whether this will impact Aus crewed vessels trading on the coast?</i></p> <p><b>Response:</b></p> <p><i>no view yet. It is something we will consider in designing the levy</i></p>
	<p><b>Question:</b></p> <p><i>Reference in recommendations for the need to consider in Australian international obligation - what international obligations are we talking about?</i></p> <p><b>Response</b></p> <p><i>obvious ones are trade obligations under WTO to ensure that what we do with SF is not trade distortionary; also Free Trade agreements and any other</i></p>

	<i>obligations in the IMO. Depending on how you design the SF these obligations may be impacted and we need to take these into account.</i>
s47F	<p><b>Question:</b> Regarding recommendation 6 - how will government administer this and what considerations were made regarding limitations of trade choice and coverage?</p> <p><i>I read this as a copy of NZ CTA but without the same considerations or nuance of NZ. I have concerns about this.</i></p> <p><b>Response</b> Change recommended by TF. This is something that needs to be worked on in review of the Act and what it would mean in practice.</p>
s47F	<p><b>Question:</b> Review of CTA and SRA - what is the overall view re industry support. From submissions, are you seeing support? We don't see or hear a lot of support for this whatsoever. We don't see this as a strong initiative re international trade and servicing that. Does the TF see industry supporting this to move through for legislation to be considered in Parliament?</p> <p><b>Response</b> Govt committed to establish the Fleet and found support and strategic benefit from the fleet. Acknowledge that it's small scale. TF highlighted that key consideration in establishing fleet is to bridge cost gap to ensure Australian fleets are competitive with internationally registered ships. There was a range of support for specific purposes for the fleet.</p>
s47F	<p><b>Question:</b> - who from the manufacturing sector has been supportive of this proposal? Implementing a policy such as this is not going to be funded by Australian manufacturing so that levy needs to be considered very carefully. How can you implement something if you don't know you're going to fund it?</p> <p><b>Response</b> these are things the government will consider, other option is to fund through general revenue rather than a levy or industry funding.</p>
s47F	<p><b>Question:</b> Looking to clarify what is the context around this, what support have you received from industry and what happens if industry doesn't respond to the proposed incentives you are looking to establish? What happens next if this doesn't work? Who's going to pay for it and what evidence is there that industry is calling for this from a user perspective?</p> <p><b>Response</b> This is something we will have to consider and include in our risk assessment re how to design fleet so it's attractive and benefits of fleet are maximised. STF raised benefits incl use in times of crisis, ships that can support strategic national industries, support defence activities</p>
s47F	<p><b>Question:</b> can we access submissions to the review to get a view of support and need?</p> <p><b>Response</b> <a href="#">Establishing a strategic maritime fleet of Australian vessels   Department of Infrastructure, Transport, Regional Development, Communications and the Arts</a></p>
s47F	<b>Question:</b>

*I don't see a lot of timeframes. Can we do 6 monthly updates on how this is going? Some of this won't go to industry for consultation (ie tax) and I would like to know these things are going ahead.*

**Response**

*We will provide opportunity to engage and that will include progress updates.*



Australian Government

Department of Infrastructure, Transport,  
Regional Development, Communications and the Arts

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# Strategic Fleet Issues paper

November 2023

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# Introduction

The Strategic Fleet Taskforce provided its final report to the Government on 30 June 2023. The report contains 16 recommendations to establish the strategic fleet and to support the maritime industry more broadly. The recommendations of the Strategic Fleet Taskforce were informed by significant engagement with stakeholders from across the industry.

On 8 November 2023, the Hon Catherine King, Minister for Infrastructure, Transport, Regional Development, and Local Government released a public version of the final report and the Government's response to its recommendations. The Government has agreed to 12 of the 16 recommendations, and has committed to further consideration of the remaining four.

Maritime shipping accounts for 99% of Australia's goods moved by volume, and 80% by value. Strengthening Australian maritime shipping by establishing a strategic fleet will build Australia's resilience, and support national security by enabling the movement of critical cargo during times of crisis or emergency. The strategic fleet will also provide employment and training opportunities to boost Australia's maritime workforce capabilities.

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the Department) is leading work on progressing the implementation of the recommendations in the report. This work will include multiple opportunities for consultation, to ensure the strategic fleet achieves broad industry support and the fleet's capabilities meets Australia's needs.

## Purpose

As part of the initial actions to design and implement the strategic fleet, the Department has commenced work on developing actions that will address Taskforce Recommendations. This paper is specifically focused on gathering information to assist with implementing **recommendations 1, 2 and 8** which relate to establishing the fleet and government requisition.

The questions in the paper are seeking to understand potential barriers and mechanisms to enable the participation of companies and seafarers in the provision of and operation of strategic fleet vessels. The paper also seeks views on aspects of the implementation that will go to meeting community expectations in terms of the way the strategic fleet operates and the efficient use of Government resources.

The paper also seeks views on requirements that need to be satisfied to participate in the strategic fleet, workforce and skills, minimising the cost to Government, and ensuring business continuity at times of vessel requisition. Each section has been prepared with a specific set of questions to guide your responses. However, if there are issues within the scope of the paper that we have not identified, please include those in your response.

The Strategic Fleet Taskforce Final Report and Government Response can be viewed here:

<https://www.infrastructure.gov.au/infrastructure-transport-vehicles/maritime/maritime-strategic-fleet-taskforce>

Given the nature of the questions, all responses will be treated as commercial-in-confidence.

## How to make a submission

Responses should be submitted via Have Your Say. Submissions should be uploaded by COB 15 December, 2023.

If you have any questions regarding this paper or the submission process, please email [strategicfleet@infrastructure.gov.au](mailto:strategicfleet@infrastructure.gov.au).



# Requirements to participate in the strategic fleet

The Department is committed to a high standard of due diligence in establishing the strategic fleet. To be eligible to participate in the strategic fleet, vessel operators will need to satisfy a number of minimum requirements. These requirements will be designed to ensure the strategic fleet delivers the maritime capability that meets Australia's strategic needs, meets community expectations in terms of the operation and governance of the fleet, and achieves value for money.

Some potential requirements we have identified include:

- provision of a vessel that aligns with the vessel capabilities the Government requires;
- agreement to flag or re-flag that vessel on the Australian General Shipping Register;
- agreement to employ Australian crew, where reasonably practicable on that vessel;
- an identified trade that strategic vessels could service when operating in ordinary times;
- a strong record of safely operating maritime vessels, including a history of compliance with Workplace Health and Safety regimes;
- evidence of company solvency;
- appropriate insurance coverage or ability to demonstrate appropriate insurance will be obtained; and
- compliance with Australian and international laws such as modern slavery requirements.

## Questions

1. What requirements should vessel operators need to satisfy to participate in the strategic fleet?
2. Should requirements include a cap on the age of strategic fleet vessels (i.e., a vessel should be no older than 10 years at the time it commences with the strategic fleet)?
3. At what level (e.g. CEO or Board) would a proposal to participate in the strategic fleet need to be agreed to within your organisation and how long would it take to achieve the required approvals?
4. If your organisation was successful in joining the strategic fleet, how long would it take to re-flag and crew a vessel? What internal and regulatory processes would you need to follow?
5. Would participating in the strategic fleet impact on your ability to obtain or maintain appropriate insurance? If so, what options should the Government consider?
6. Are there any other factors that should be considered in setting eligibility requirements for participation in the strategic fleet?

## Workforce and skills

The Strategic Fleet Taskforce Final Report identified skills and workforce issues being faced by the Australian maritime sector. The Transport and Logistics Jobs and Skills Council (JSC) will consider the Taskforce's skills and training recommendations in the context of developing its annual Maritime Workforce Plan.

The JSC's consultation processes are the appropriate mechanism to engage on workforce issues (including the Taskforce's workforce recommendations) and possible treatments, but we are interested in gaining a greater understanding of how workforce and skills issues could affect the early implementation of the strategic fleet.

## Questions

1. Are there specific or unique skills, training or qualifications required for any of the vessel types in the Taskforce's recommended strategic fleet composition?
2. Noting the skills shortages in the Australian maritime industry, what short term practical issues (getting the first strategic fleet ships operational) are likely to arise?
3. If skills are needed to be sourced from international markets, what processes would you need to follow and how long would those processes take?



## Cargo owners and the strategic fleet

The strategic fleet will operate commercially, when not requisitioned. The long-term success of the strategic fleet is contingent on support from the broader Australian business community and cargo owners to maximise the commerciality of strategic fleet vessels.

The Government's unequivocal objective is to ensure that any incentive provided to vessel operators to bridge the cost-gap between Australian and foreign flagged vessels and participate in the strategic fleet does not distort the market or enable undercutting of freight prices.

### Questions

1. Presuming strategic fleet freight costs were competitive, what would motivate your organisation to use or not use an Australian flagged vessel and what benefits would be derived from using an Australian flagged vessel?
2. Do you foresee any issues or problems with changing your arrangements to use an Australian flagged vessel?

## Business impacts of requisition

For strategic fleet vessels to operate commercially, there must be demand for their services. Requisitioning a strategic fleet vessel that is operating on any trade route will have implications on business operations and supply chains more broadly.

The strategic fleet must be designed so that requisitioning a vessel minimises or limits the consequences to critical trade that vessel provides when operating in ordinary times. To manage this risk, there should be sufficient confidence that the 'business as usual' cargo task can be absorbed by other parts of the supply chain as quickly as possible.

The Government may seek to deploy a requisitioned vessel outside of its ordinary operations. In designing the requisitioning arrangements for the strategic fleet, it will be important to ensure a vessel can safely and efficiently operate between ports whilst requisitioned, and be able to quickly return to ordinary commercial operations once the requisition has ended. This may include matters relating to biosecurity and border clearance procedures, or maintenance arising from an unusual operation of a vessel.

### Questions

1. How long would it take for you to redeploy a strategic fleet vessel after a requisition request?
2. If a strategic fleet vessel was requisitioned, would you have capacity to absorb the cargo task or transfer other ships to fill the gap?
3. If you were not able to absorb the cargo task into your existing fleet capacity, do you have commercial relationships with other cargo movers to move the cargo?
4. If your strategic fleet vessel was not available when requisitioned (i.e., due to maintenance or being out of range), would you have capacity to provide a suitable substitute vessel?
5. What cargo tasks or trade routes are least likely to be absorbed into other areas of the supply chain?
6. What trades could withstand the removal of a ship without a replacement and for how long?
7. Based on your experience, do you have any other suggestions or recommendations on how this risk could be mitigated?
8. What additional support would you need if your vessel was deployed to an area it does not ordinarily visit (such as landside services or equipment)?
9. Are there any additional issues that may impact your operations if a vessel was requisitioned and deployed on an international voyage? (i.e., biosecurity, border clearance etc.)
  - a. Are there any changes you would recommend to support the operation of strategic fleet vessels?

## Next steps

Your responses will be considered in the design of the strategic fleet. It is anticipated that further consultation with industry groups will occur as implementation of the strategic fleet progresses. This may include further webinars, workshops, or targeted consultation.

If you have specific questions or comments beyond this paper, please email [strategicfleet@infrastructure.gov.au](mailto:strategicfleet@infrastructure.gov.au).