



Australian Government

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

Australian Government Response to the Strategic Fleet Taskforce Final Report

November 2023



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ISBN 978-1-922879-10-3
November 2023

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Recommendation 1

The Taskforce recommends the identified cost gap between Australian and foreign vessels be addressed through a combined measure of shipping taxation incentives in line with international norms, and Australian Government financial assistance provided to ship owners and operators.

Proposed changes to the taxation arrangements are:

- Reforming the seafarer tax offset to remove the current restrictions on seafarer eligibility so the offset applies to all Standards of Training, Certification and Watchkeeping (STCW) qualified seafarers and for any shipping activity in which those seafarers are engaged;
- Reforming the shipping corporate income tax exemption to introduce deemed franking credits in respect of dividends to shareholders, to make vessel ownership and/or operation from Australia more internationally competitive; and
- Extending application of the existing shipping tax incentives and the corporate income tax exemption to qualifying vessels servicing the offshore sector.

The Taskforce considers that a Government assistance program provides the mechanism by which to bridge the cost gap and allows the Government to target capabilities consistent with the prime strategic needs identified by the Taskforce – to respond to disruption events, support sovereign industry and assist Defence.

The Taskforce further considers that it is important to the success of this program that any assistance that is provided to eligible applicants is done so with appropriate safeguards to ensure value for money is achieved and other behaviours such as price-gouging are guarded against. The Taskforce considers that this could be achieved through an open, transparent and competitive tender process.

The Taskforce notes that while Government assistance to ship owners and operators alone would be sufficient to close the cost gap, the magnitude of Government assistance required would be reduced with application of a revised seafarer tax offset and revised corporate taxation exemption which, if applied broadly to Australian vessels, will have the advantage of promoting more general investment in the Australian shipping industry. This in turn will contribute to a broader pool of Australian vessels and skilled seafarers, which Government could draw upon when required.

Government response

The Australian Government **agrees in-principle** with this recommendation.

The Government acknowledges that Australian flagged vessels have higher operating costs relative to foreign flagged vessels and the cost gap is a significant reason for the decline in the number of Australian flagged vessels. The Government agrees this cost gap will need to be overcome to grow the size of the Australian fleet. Australia has a strong workplace health and safety regime, high wages, and good working conditions, factors upon which the Government will not compromise to lower the cost of Australian ships.

The Government will consider options to address the cost gap, in consultation with stakeholders. The Government will consider Australia's international obligations, seeking advice from relevant agencies on how to design measures consistent with those obligations.

The Government notes the proposed changes to the existing taxation framework and will further consider reforms following a detailed assessment by the Treasury.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.

Recommendation 2

The Taskforce recommends that the strategic fleet comprise vessels of the following types, and be of a size that will meet the three prime strategic purposes of the fleet – to respond to disruption events, support sovereign manufacturing industries and to support the Defence Forces:

- Container vessels with geared ship cranes capable of independent container operations.
- Multipurpose vessels (MPV) capable of carrying project cargo, containers and some bulk cargoes, and unload these using geared ship cranes.
- Roll-on roll-off/roll-on lift-off (RO-RO/RO-LO) vessels.
- Liquid bulk vessels configured to carry multiple grades of fuel and chemical products in independent tanks.
- Dry-bulk vessels.
- Break-bulk vessels.

Government response

The Australian Government **notes** this recommendation.

The Government will seek a range of maritime capabilities from the strategic fleet to enable it to deploy the most suitable vessel type to respond to a range of circumstances. As far as possible, the Government will target the most appropriate vessel types to make up the composition of the strategic fleet, noting that strategic fleet vessels will operate commercially when not required by the Government and that any Government funding needs to provide value for money. Government agencies will work together to define the capabilities that will best meet their and the Australian community's needs in times of crisis and in normal circumstance.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.

Recommendation 3

The Taskforce recommends that the Government establish a levy on vessel arrivals as a mechanism to fund the strategic fleet. The levy should:

- Be modelled on the existing AMSA levies, calculated on a net tonnage basis for each ship arrival; and
- Accumulate and maintain sufficient funding to:
 - make payments to strategic fleet ships owners/operators that matches the ship operational cost gap
 - help defray the cost of registering a strategic fleet ship on the Australian General Shipping Register.

Government response

The Australian Government **notes** this recommendation.

Shipping is vitally important to the Australian economy. The Government will consider funding options and the potential economic impact of each option when developing detailed implementation arrangements for the strategic fleet. The Government will also consider Australia's international obligations, seeking advice from relevant agencies on how to design measures consistent with those obligations.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.

Recommendation 4

The Taskforce recommends that strategic fleet vessels must be registered on the AGSR.

The Taskforce also recommends the Government amend the AGSR to make:

- vessel registration more streamlined
- it closer to those practices in place in competitive flag-state jurisdictions.

Government response

The Australian Government **agrees** with this recommendation.

The Government will determine the specific registration arrangements required of strategic fleet vessels when developing detailed implementation arrangements for the fleet.

The Government will undertake a review of the *Shipping Registration Act 1981* in 2024 as part of the strategic fleet implementation to ensure Australia's vessel registration process is fit-for-purpose and supports the strategic fleet and future growth of Australian shipping.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.

Recommendation 5

The Taskforce considers there is merit in the Government reviewing the provisions of the AISR to identify if they can be made more attractive to encourage the registration of vessels under this Australian register.

Government response

The Australian Government **agrees** with this recommendation.

The Government will undertake a review of the *Shipping Registration Act 1981* in 2024 as part of the strategic fleet implementation to ensure it is fit for purpose and to consider whether any amendments are required to encourage more vessel owners and operators to register vessels in Australia through both the AGSR and the AISR.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.

Recommendation 6

The Taskforce recommends that the Government should review the *Coastal Trading (Revitalising Australian Shipping) Act 2012* to ensure the object and the provisions of the Act support the implementation of the strategic fleet. The review should occur after the design of the assistance and taxation measures have been completed so that specific legislative provisions reflect implementation arrangements for the strategic fleet.

The Taskforce considers that the following should be key considerations of the review:

- That a strategic fleet ship be defined.
- Ensure that cargo volume and trade (including strategic fleet cargo/trade) on General Licence vessels are not undermined by the awarding of Temporary Licences.
- A General Licence holder (including a General Licence owner/operator of a strategic fleet ship) be given the first right of refusal to arrange for a Temporary Licence ship/s to carry cargo in the trade of the General Licence ship/s cargo in excess of that able to be transported by its General Licence ship/s.
- If the General Licence ship owner/operator does not exercise that right, the owner, charterer, master or agent of a vessel, or a shipper (as defined in the Coastal Trading Act) have the opportunity to apply for a Temporary Licence to carry that cargo/ trade.
- That the s33 Comments by third parties provision in the Coastal Trading Act be strengthened to provide for monitoring, reviewing and scrutinising the awarding of Temporary Licences in accordance with the principles outlined above.

The proposal for the review reflects stakeholder concerns that the implementation of the current Act has not achieved its purpose, and that strategic fleet cargo volumes and trade could be undermined by the current approach to awarding of Temporary Licences.

Government response

The Australian Government **agrees** with this recommendation.

The Government will undertake a review of the *Coastal Trading (Revitalising Australian Shipping) Act 2012* as part of a broader strategic fleet post-implementation review (see government response to recommendation 16) of the strategic fleet 12 months after the first vessels become operational. The review will consider whether the coastal trading regulatory framework is fit-for-purpose and appropriately supports the strategic fleet, minimising opportunities for foreign flagged vessels to undermine strategic fleet cargo volumes and trade routes. The specific considerations identified by the Taskforce will be within the scope of the review.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.

Recommendation 7

The Taskforce recommends that the Government provide additional funding to the Fair Work Ombudsman to increase compliance activities relating to the payment of Seagoing Industry Award 2020 Schedule A Wages on foreign vessels operating under Temporary Licence.

The Taskforce notes there is limited information available regarding the compliance of foreign vessels engaged in coastal trading under a Temporary Licence with the requirement to pay additional Schedule A wages from the third voyage onwards in any 12-month period.

Stronger administrative oversight will provide information to Government to better understand the extent of non-compliance and enable decisions to be made regarding what measures are required to increase compliance.

Government response

The Australian Government **agrees in-principle** with this recommendation.

Schedule A of the Seagoing Industry Award 2020 sets wages to be paid on foreign vessels operating under a Temporary Licence. The Government will work with the Fair Work Ombudsman to consider enhanced monitoring activities relating to the payment of Schedule A wages on foreign flagged vessels. Information gained through these enhanced activities could inform further consideration of the policy settings to support the strategic fleet.

Lead minister

Minister for Employment and Workplace Relations.

Recommendation 8

The Taskforce recommends the Government legislate the power to requisition Australian-flagged vessels and establish a complementary capacity to requisition vessels through contractual arrangements with vessel owners and operators of strategic fleet and non-strategic fleet vessels to provide it with the greatest flexibility and assurance of access to vessel capability when required. The extent of the legislative power and terms of the contractual arrangements must provide certainty to stakeholders regarding issues such as the terms of requisition, threshold for requisitioning, and compensation including circumstances of liability and indemnity.

Government response

The Australian Government **agrees in-principle** with this recommendation.

The Government considers that availability of Australian-flagged vessels is important for enhancing the resilience of our supply chains and in responses to disruptive events. The Government notes that legislating a power to requisition vessels is a complex undertaking and will require significant stakeholder consultation. The government will consider Australia's international obligations, seeking advice from relevant agencies on how to design measures consistent with those obligations. The Government will develop non-legislative contractual mechanisms to requisition strategic fleet vessels in times of need as a first step in establishing this capability.

A legislative model providing the power to requisition strategic fleet vessels will be developed over time to ensure there is no delay to the first strategic fleet vessels commencing operations. The legislative model will be closely aligned with any legislative reforms that arise from the review of the *Defence Act 1903* to ensure it complements powers available to the Defence Force.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.

Recommendation 9

The Taskforce recommends that the Transport and Logistics Jobs and Skills Council (JSC) expedite its Maritime Workforce Development Plan and work in collaboration with Commonwealth and state government agencies and industry to ensure that the maritime training package is fit for purpose and considers the needs of Australia's maritime industry in the context of implementation of the strategic fleet. As part of this work, the JSC should:

- map relevant existing training programs and initiatives to assist people interested in working in the maritime industry to navigate career pathways
- provide advice to the Government on options to better coordinate designing and implementing initiatives to develop Australia's maritime workforce
- undertake maritime workforce planning, involving development of seafarer supply and demand forecasts
- consider how to better coordinate placement of cadets and trainees on vessels across the Australian and international shipping industry to complete mandatory sea time requirements to obtain STCW qualifications, including the option of expanding the use of a Group Training Organisation to coordinate the placement of trainees/cadets in both on-the-job and off-the-job placements
- consider options to accelerate the supply of Australian seafarers such as revalidation and recognition of current competencies for partially qualified seafarers.

Government response

The Australian Government **agrees in-principle** with this recommendation.

The JSC for the Transport and Logistics sectors is responsible for bringing together business leaders, unions, governments, industry organisations and training providers to consider the real issues affecting Australia's supply chain workforce. As part of its work, the JSC works closely with stakeholders to develop an annual workforce plan which will consider a broad range of issues relating to the Australian maritime workforce.

The Government notes that the JSC is in its first year of operations and that implementation of this recommendation needs to be managed in line with JSC's ongoing establishment activities. The Government will ask the JSC to consider the advice of the Taskforce and incorporate appropriate strategies into the JSC's Workforce Plan, with a focus on the maritime industry.

Upon delivery of the Plan, the Government will consider how to progress strategies proposed including whether actions can be implemented within existing programs or if new initiatives are required.

Lead minister

Minister for Skills and Training.

Recommendation 10

The Taskforce recommends that the Government should legislate to implement a training levy on maritime industry participants that are beneficiaries of STCW qualified seafarers to fund a financial assistance package to assist employers and sponsors of trainees and cadets to meet the costs of training seafarers to obtain STCW qualifications.

Government response

The Australian Government **notes** this recommendation.

The Government acknowledges the financial burden of providing mandatory sea time to trainee and cadet seafarers to obtain STCW qualifications falls mainly on a small number of organisations that operate ships of sufficient size and capability that can offer training berths. The Government will consider the practicalities of establishing a 'beneficiary' pays approach to funding for STCW qualifications that balances Australia's economic and strategic interests while enhancing the incentive to provide training programs and berths for sea time. The government will consider Australia's international obligations, seeking advice from relevant agencies on how to design measures consistent with those obligations.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.

Recommendation 11

The Taskforce recommends that the Government should establish a cadetship or similar scheme to provide financial assistance to organisations that provide berths for cadets and trainees to complete mandatory sea time requirements to obtain STCW qualifications. As far as possible, the cadetship or similar scheme should draw on the Government's existing schemes to support training such as those that support apprenticeships and traineeships.

Government response

The Australian Government **agrees in-principle** with this recommendation.

The Government's Future Made in Australia Skills Plan, has seen a \$1 billion Fee-Free TAFE agreement with states and territories, deliver thousands of additional Fee-Free TAFE and VET places in 2023, addressing skills shortages in priority sectors. The success of this initiative has seen a further commitment of \$414.1 million to deliver an additional 300,000 places nationally beginning in 2024.

The Government also supports apprentices, trainees and their employers through a range of financial and non-financial programs, delivered by Australian Apprenticeship Support Network providers.

The Government notes that maritime trainees and cadets face some unique challenges relative to apprentices in other industries. Some of these challenges include difficulty securing training berths on vessels, trainee seafarers generally needing to complete their sea-time training under more than one employer, there being only three registered training organisations (Launceston, Newcastle and Fremantle) that offer STCW courses, and the limited number of Australian ships.

The Government will ask the JSC to consider the issue of training pathways as part of its next Workforce Plan. The Government will consider how existing schemes could be utilised to support these pathways or whether any maritime industry specific initiatives are required to strengthen Australia's maritime industry.

Lead minister

Minister for Skills and Training.

Recommendation 12

The Taskforce recommends the Government mandate a minimum number of training berths be offered on each vessel in the strategic fleet per annum on top of the existing minimum number of trainees as required to access the zero corporate tax regime. Any additional costs arising from the mandate should be met by one of the funding options proposed for the strategic fleet to ensure it does not create a disincentive to joining the strategic fleet.

Government response

The Australian Government **agrees in-principle** with this recommendation.

The Government acknowledges the availability of training berths is an issue in the Australian maritime industry. The Government will consider mechanisms to increase accessibility of training berths on strategic fleet vessels when developing detailed implementation arrangements for the fleet.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.

Recommendation 13

The Taskforce recommends the:

- a. Australian Maritime Safety Authority, civilian mariner institutions, Defence and the Transport and Logistics Jobs and Skills Council work collaboratively to explore opportunities to facilitate greater alignment between Defence and civilian maritime training and qualifications to enable more flexible movement between Navy and the commercial sector
- b. Australian Maritime Defence Council be re-established to become the principal forum through which the Defence/Navy sealift and other requirements such as workforce development can be harmonised with the civilian shipping industry and strategic fleet ship owners/operators to support the Government's national security and defence objectives, including those arising from the Defence Strategic Review.

Government response

The Australian Government **agrees** with the first component of this recommendation.

The Department of Defence and the Australian Maritime Safety Authority have made significant progress to achieve greater equivalent qualifications and skill recognition which has enabled easier transition from the Royal Australian Navy to the commercial shipping sector. The Government supports continuation of work to create greater alignment between Defence and civilian training and qualifications to enable more movement between Defence and commercial sectors.

The Government **agrees in-principle** with the second component of this recommendation.

The Government supports greater engagement between Defence and civilian industry. The Department of Defence will consider the merits of re-establishing the Australian Maritime Defence Council in the context of industry consultation arrangements for national defence strategies.

Lead ministers

Minister for Defence.

Minister for Skills and Training.

Recommendation 14

The Taskforce recommends the Government consider targeting an increase in migration for STCW qualified seafarers to help alleviate labour shortages in Australia's maritime industry until such time as the supply of appropriately qualified Australian seafarers increases sufficiently. Skilled migration should only be pursued as an option of last resort if an adequate supply of STCW qualified seafarers cannot be sourced domestically.

Government response

The Australian Government **notes** this recommendation.

The Government notes the high demand for, and low supply of, Australian maritime skills. The Government notes the labour market for Australian maritime skills is already tight. The Government is committed to establish a strategic fleet where all vessels are fully crewed with Australian seafarers and achieving this outcome will require an increase in the number of appropriately qualified Australian seafarers. The Government will consider targeted skilled migration including through current labour mobility programs, as a short-term solution to recruitment in the future, if required, while maintaining our commitment to grow the Australian workforce.

Lead ministers

Minister for Home Affairs.

Minister for Immigration, Citizenship and Multicultural Affairs.

Recommendation 15

The Taskforce recommends that the Government undertake further investigation of opportunities identified for measures that could complement the strategic fleet or support broader outcomes of Government. These measures include:

a. Working with Defence

The Taskforce notes the recommendations of the Defence Strategic Review, and recommends that the development of the National Defence Strategy should include the potential role of a strategic fleet including the role and needs of a strategic fleet in relation to Defence infrastructure investment (particularly any redevelopment of the Henderson ship dry-docking facilities).

b. Partnerships with other countries and companies

The Taskforce recommends that the Government explore opportunities to partner with other countries and with non-Australian shipping companies to secure additional shipping capacity to supplement the capability of the strategic fleet that may be required in times of a national emergency.

c. Links to decarbonisation efforts and use of green fuels

The Taskforce recommends government explore where government investment in reducing greenhouse gas emissions might extend to reducing or eliminating emissions from strategic fleet vessels.

d. Ships operated by government agencies

The Taskforce recommends the Government increase the use of non-Defence government owned vessels to respond to disasters and other disruption situations and ensure that government vessels contribute to training outcomes.

e. Servicing Australian External Territories

The Taskforce notes that the strategic fleet could include vessels that deliver cargo to Australia's external territories, but recommends these vessels be additional to the core 12 vessels included to meet strategic need. The Taskforce also recommends that these vessels be funded be from the strategic fleet levy.

f. Partnerships with states and territories

The Taskforce recommends that the Australian Government partner with the states and territories to strengthen supply chain resilience.

Government response

The Australian Government **agrees in-principle** with this recommendation.

The strategic fleet presents numerous opportunities for the Government to link the development of the strategic fleet in with other long-term strategic priorities, including those arising from the Defence Strategic Review and Australia's emissions obligations and in times of disaster in the region. Consideration should be given to how the strategic fleet could be deployed in a timely fashion as part of Australian Government support to overseas disasters. The strategic fleet has potential to strengthen Australian supply chains beyond the capability of 12 ships through new and existing relations with overseas and corporate partners.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.

Minister for Foreign Affairs.

Recommendation 16

The Taskforce recommends that a Post Implementation Review be conducted a year after the first strategic fleet vessels are selected and receive government assistance. This should also cover the impacts of training and workforce initiatives.

Government response

The Australian Government **agrees** with this recommendation.

The Department of Infrastructure, Transport, Regional Development, Communications and the Arts will lead a Post-Implementation Review (PIR) that will be undertaken 12 months after the first strategic fleet vessels become operational to consider the effectiveness of the strategic fleet and the Government assistance mechanisms. A PIR will enable the Government and industry to learn lessons from the first year of operations and adjust the model if required to reduce delivery and investment risks.

Lead minister

Minister for Infrastructure, Transport, Regional Development and Local Government.