



Strategic Fleet Policy Section
Department of Infrastructure, Transport, Regional Development, Communications and the Arts
GPO Box 594
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ACT 2601

29 November 2022

Strategic Fleet Taskforce – Discussion Paper – Australasian Marine Pilots Institute

Dear Andrew Johnson,

The Australasian Marine Pilots Institute is the peak body for marine pilots representing the largest group of active master mariners in Australia. AMPI is a not-for-profit professional association that holds positions on state legislative and educational committees throughout Australia. We welcome involvement in the Maritime Strategic Fleet review.

We are acutely aware of the need for certified deck officers and master mariners with seagoing experience who are required to work in skilled professions and managerial roles throughout the Australian maritime industry. However, the pathway to unlimited STCW certification has been gradually closed due to the lack of government support for the deep-sea maritime industry.

The vast majority of Commonwealth and European countries have enacted seafarer taxation relief and tonnage tax systems to ensure their seafarers are able to obtain employment with multinational shipping companies and keep a steady supply of experienced seafarers to the shore-based and maritime sectors.

The United Kingdom has performed several government studies in recent years, where long-term economic returns have been identified through investment in skilled seafarers, seafarer taxation benefits and Support for Maritime Training (SMarT) funding. They have also identified critical defence advantages by having a skilled pool of qualified mariners.

Any regulatory reforms as part of the Strategic Fleet should involve underlying legislation changes that can withstand government and policy changes for the foreseeable future.

AMPI submits that the following points are critical to the success of a strategic fleet:

- Seafarer Taxation reforms: Seafarer tax must be unrestrictive to ensure that seafarers have the greatest opportunity to work on all types of vessels (cruise ships/offshore etc), not limited to the identified strategic fleet. The present taxation framework is limiting to Australian seafarers gaining experience overseas.
- Tonnage tax reforms: Australian shipping companies linked to the training and employment of Australian Seafarers is a proven method of increasing the pool of skilled seafarers.

- The reducing pool of maritime skills in Australia is a major area of concern, not just for the seagoing sector of the industry but for shore-based roles such as operational management, pilotage, education, legal and port operations.

Part One – Nature of business and nature of shipping needs

1. Are you a cargo owner moving freight by sea? Yes or no (if not please move to the next question) If yes, please answer the following: No

2. Are you a Freight Forwarder? No

3. Are you a ship owner/operator? No

4. Are you representing an industry or other peak body? Yes or no (if not please move to next question) If yes, please answer the following:

- Who do you represent? Marine Pilots in Australia
- What is your group's interest in the strategic fleet? To secure the long-term supply of master mariners to fill vacancies in Australian marine pilotage services. The vast majority of marine pilots in Australia have seagoing backgrounds and hold a Master Unlimited certificate of competency. The pathway to this qualification requires seat time on vessels trading internationally.
- Why are these of interest? As a professional association, we have an interest in ensuring that there is a supply of suitably qualified and experienced mariners ready to embark on a career in pilotage. We are interested in supporting any government initiatives promoting these skills.

5. Are you another stakeholder? Yes or no (if not please move to next question) If yes, please answer the following: No

Part Two - Strategic needs

What is the strategic need?

6. In the event of a major disruption that meant shipping ceased for more than a few weeks, there would be significant financial and socially disruptive consequences:

Oil Products

Western Australia has approximately one week of fuel reserves. Therefore, the airlines, all vehicles and other essential services would cease to function without oil products. Product tankers arrive in Fremantle Ports each week to maintain the approximately 20,000 tonnes of oil products used daily in Western Australia. The impact of delays to international shipments of oil products for more than a week would have a considerable impact on every sector of the economy.

In the 1990s, Australian shipping included several oil tankers shipping crude oil from Western Australian oil fields to the BP Oil refinery in Kwinana. The refinery produced the oil products required to maintain the economy of WA. Since the recent closure of the BP refinery, the State has no capacity to produce its own petroleum-based products. Compounding this failing is the lack of coastal tankers for local distribution.

Australia is now heavily reliant on international shipping for fuel supply and distribution and is fully exposed to international price fluctuations for the oil products themselves.

LNG, LPG and Anhydrous Ammonia Ships

LPG is distilled in Kwinana from LNG piped from the northwest of WA and any delays to shipping will impact the export of this product. In the 1990s Australia had these ships trading on the coast, however we are now totally reliant on foreign ships for the carriage of these Australian products.

Anhydrous ammonia is another Australian product exported from the northwest of WA on foreign ships.

There is a significant trade in shipping LNG from the northwest to Japan, China and SE Asia which will also be severely impacted by a delay to shipping. In addition, when the storage tanks approach full capacity, the production of LNG must be shut down at several oil and gas fields which is a very costly exercise.

Break Bulk Ships

The farming and agriculture industries rely on the importation of phosphates and fertilisers. There are limited storage facilities for these products. Ammonium nitrate is very hazardous to store and is therefore imported on an as required basis. If shipping was disrupted for more than a few weeks, these sectors would see drastic impacts on production.

Container Ships

In 2022 625,949 containers passed over the wharf in Fremantle, which equates to twelve thousand containers per week. A stoppage of a few weeks would significantly impact on delivery of foreign goods. More importantly the export of perishable goods would be disrupted significantly impacting on trade (e.g. frozen fish, meat and vegetables).

Roll on Roll off ships

These ships import vehicles and farming equipment. A shipping disruption of several weeks would prevent the delivery of motor vehicles, trucks, mining and farming equipment. Longer delays would result in a backlog of ro-ro goods and the negative flow-on effects to the industry.

What are the benefits from the fleet during 'business as usual' or other scenarios?

Australia has very few ships and therefore, no career pathway for young Australians to enter the maritime industry. Currently, there are many associated industries requiring the skills of mariners which must import these skills from overseas. A coastal shipping industry would provide experienced mariners to port operations, marine operations, regulators, vessel traffic management, harbour masters, safety surveyors, quantity surveyors and other associated maritime sector industries. Marine engineers often transfer into hospitals, power plants, and other heavy industry roles. Therefore, a coastal shipping industry would also provide a career path essential to associated maritime industries. A recent report stated there is an imminent worldwide shortage of Mariners (89,510 Officers by 2026 – Seaways November 2022). Australia needs to develop career pathways for mariners to ensure these professional positions can be filled.

Transport by sea is recognised as having the least carbon emissions of all the methods of transporting goods. An Australian shipping fleet can transfer goods over large distances more efficiently and with less carbon footprint than rail or road.

Road fatalities are increasing each year. Shipping would remove the transportation of goods by long haul trucks from the road network, thereby improving safety on the roads and reducing the wear on roading infrastructure.

Eventually, most trucks will be powered by batteries. A coastal shipping industry can effectively transport goods to and from 'hub' ports where battery-powered trucks could then complete the logistics chain.

Shipping is moving to renewable and low carbon propulsion systems. These vessels will soon be extremely efficient and by far the most environmentally sound method of transporting goods.

7. Benefits to you or your stakeholders.

Our business is to train mariners. Therefore, we will be in a position to assist in providing the training for the future mariners and to ensure their skills are maintained.

There are very few opportunities for school leavers to enter the maritime industry. A coastal fleet will create much needed career pathways. There are many associated industries which would benefit from a Coastal Shipping industry such as:

1. Maritime engineering
2. Ship supply of goods and services
3. Maritime electronics services and repairs

4. Marine surveyors (quantity, classification societies)

Australia has a ship construction facility in Henderson which could be utilised to design and build coastal ships. This will have a significant positive impact on the local industries, suppliers, and workforce.

A stoppage is likely to be induced through insufficiently trained personnel. This will eventually occur en masse via industrial means due to the aggressive nature of the industry participants or slowly via a creep of staff choosing alternate career pathways. Providing entry pathways to train industry participants in order to prepare them for ancillary industries and services is essential to the ongoing provision of at least eight of the categories listed.

The benefits to AMPI as a stakeholder are significant, in that as an industry body it is our task to provide guidance and advice to industry participants to collectively raise the standard and improve all areas identified.

8. Broader benefits

Our international partners provide merchant marine support for the Navy (USA and UK). A coastal shipping industry would contribute to the dual purpose of providing the Australian Navy with a fleet of professionally manned merchant ships and supplying the variety of cargoes required to maintain supply chains.

When Cyclone Tracy struck Darwin on Christmas Day in 1974, the Australian product tanker BP Enterprise provided power from the ship's generators to the Darwin electrical grid. In addition, the oil products (petrol, diesel, and aviation gas) kept the local economy running. An Australian merchant fleet could provide assistance to ensure the supply of goods to coastal towns and cities in times of natural disasters.

An Australian coastal shipping industry would need to compete with the international fleet for the trans-shipment of cargo around the coast. The International fleet has for many years, moved to flags of convenience (FoC), a system by which a vessel flies the flag of a country that provides advantageous tax regimes and lax labour laws for the express purpose of minimising costs and regulatory burden to the ship owner. An Australian fleet would be significantly disadvantaged when competing with these internationally registered vessels. In addition, coastal shipping would have to compete with the heavily subsidised rail and truck industries for the transportation of goods around Australia.

Therefore, if the coastal shipping proposal is to succeed in the long term, the trade must have a level of support from Government by either;

1. providing direct subsidies in a magnitude similar to those provided to the road and rail industries, or
2. the coastal shipping industry must be subject to a similar tax regime available to foreign-flagged vessels. The aim is to ensure the overheads for the proposed coastal shipping will be as close as possible to that of the foreign competitors.

There are a number of advantages that foreign operators enjoy, which allow their fleets to remain viable. These include:

1. All countries in the EU offer a company tax 'haven' where shipping companies can minimise the taxation burden. For example, shipping companies registered in the Isle of Man pay a 4% tax to the UK government.
2. Many companies register their ships in countries where there is minimal tax paid on the vessel's trading profit. In addition, these 'flag of convenience' countries lobby strongly at international maritime forums to ensure minimal encumbrance to the companies under their flag. For instance, when attempting to implement new safety practices, the International Maritime Organisation is often impeded by FoC representatives due to the associated costs of such measures.
3. All countries of the EU apply zero personal tax on seafarers, where the seafarer is working in foreign trades. For instance, an English resident seafarer who works in foreign trades for more than 180 days each year pays no personal income tax. (the seafarer income is generated from outside of the country which brings funds into the country).
 - (a) Australian seafarers who are residents in the UK and take advantage of the 180-day rule to pay no tax, will be taxed in retrospect when they return to Australia by the ATO (n.b. this ruling has been challenged and may have changed).
 - (b) There are Medicare, superannuation, and other costs which the seafarer cannot access when resident abroad but are imposed when paying taxation on return to Australia.
4. Foreign Ships are levied GST, oil tariffs and importation costs (for products for the ship) at much lower levels than the Australian shipping industry.

The Maritime Industry Australia Ltd (MIAL) will no doubt be up to date on the cost to the Australian Shipping Industry of all the additional GST, duties and taxes. However, the above list should be investigated to ensure any attempt to create an Australian shipping industry will have a good chance of competing effectively.

If the proposal is successful, then the Australian shipping industry could eventually purchase the ships required to enjoy the cost efficiency from trade with large ships.

Part Three – any other information

The education and experience prerequisites to commence pilot training is in the region of 15 years for a major Australian port. Skills are in short supply and many industry participants are competing for trained and qualified mariners. At an international level, competition also exists to fill the shortage of skilled mariners. This skills shortage can silently erode maritime standards, increasing the risk across industry, specifically in economically critical tasks that have would have national significance should an incident occur.

Yours faithfully,

A handwritten signature in cursive script that reads "Peter Dann".

Captain Peter Dann
Australasian Marine Pilots Institute