

 **ASP** SHIPS GROUP  

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**WE MANAGE SHIPS SAFELY**

**ASP Ship  
Management Pty  
Ltd: Submission  
to Maritime  
Strategic Fleet  
Taskforce -  
Discussion Paper  
(Redacted  
version).**

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### **Part One – Nature of business and nature of shipping needs**

To get a picture of your activities and put your later responses into the right context, please answer the following questions.

#### **1. Are you a cargo owner moving freight by sea?**

ASP Ship Management (ASP) is not a cargo owner; however, we do move cargo on behalf of our clients, onboard our owned, operated and managed vessels. In Australia we move cargo such as petroleum products, dry bulk commodities, containers, researchers and their research equipment and passengers.

#### **2. Are you a Freight Forwarder?**

ASP is not a freight forwarder.

#### **3. Are you a ship owner/operator? Yes or no (if not please move to next question)**

**If yes, please answer the following:**

- Do you operate
  - Internationally
  - Domestically
  - both

ASP is an owner, operator and manager of all types of ships, both Internationally and Domestically.

- Do you specialise in a type of vessel/freight movement?

No, ASP manages a broad range of ship types, which includes tankers (chemical and petroleum), bulk carriers, bunker tankers, Government ships (Navy and Research), Passenger vessels, Ro-Ro Vessels, Container ships, etc. These ships therefore carry a broad range of cargo types.

- Do you own any Australian-flagged vessels?

ASP own, operate and/or manage the following Australian flagged vessels:

- 1 x Bunkering Tanker (owned and managed);
- 1 x Bunkering Tanker (disponent owner and managed);
- 1 x Research Vessel (managed on behalf of Government);
- 2 x Passenger/Ro-Ro Ships (ASP supply crew to the owner/operator).

- Do you operate foreign flagged vessels in Australia?

ASP manage the following vessel type in Australia, which are foreign flagged:

4 x Post Panamax size Bulk Carriers, which operate under the Singapore flag (managed by ASP for Owner/Operator).

- If you own or operate vessels, what determines your choice to register a vessel in a particular flag-state?

ASP's clients will determine the flag state of their vessels which ASP manage. ASP are at times consulted by our clients and our advice with respect to the country of registration is considered but is usually weighted by the client's own tax considerations. However, from an operating point of view, ASP's consideration is weighted to where the vessel will be trading.

Where ASP owns the vessel and has a choice of flag, we will consider matters such as the licensing, regulatory and operating environments to determine the choice of flag state.

- What would motivate you to register (more) vessels in Australia?

The motivation for ASP to register more vessels in Australia would be based on such things as:

- Improved competitiveness for Australian flagged vessels;
- An improved regulatory environment;
- Increased opportunities for Australian businesses;
- A tax framework similar to other International maritime nations for income and corporate tax;
- Improved training opportunities for Australian crew, with lower training costs; and
- Opportunities to improve the resilience of Australia's supply chain.

- What specific obstacles prevent you from registering more vessels in Australia today?

The main obstacles being:

- Client requirements given the perception (and reality) that the Australian flag is expensive;
- The high cost of the Industrial Relations framework;
- Lack of policy settings to ensure Australian flagged vessels are competitive not only with international vessels, but also with road and rail on the Australian coast, of which both modes receive government subsidies.

- Are you also a freight forwarder?

ASP is not a freight forwarder.

- Do you use the services of a freight forwarder?

ASP does not currently use the services of a freight forwarder.

**4. Are you representing an industry or other peak body? Yes or no (if not please move to next question)**

ASP is not representing an industry or peak body, although we take this opportunity to mention that ASP is a member (and on the Board) of Maritime Industry Australia limited (MIAL).

## **5. Are you another stakeholder? Yes or no (if not please move to next question)**

**If yes, please answer the following: yes**

- What do you do?

Whilst ASP is, for the sake of this discussion paper, predominantly a ship management, crew management and owner/operator of ships, we are much more than this in a maritime and shipping context.

ASP also provides services such as ship newbuilding, shipbroking (includes cargo broking), dry-docking of ships, ship conversions / modifications, inspection services, bunkering, ship financing, advice on regulatory compliance, ship maintenance (including for Navy vessels) and general marine consultancy services. As you can see from these services, we have a wide reach into a broad range of shipping and maritime activities in both Australia and globally.

We therefore feel it is appropriate to provide you some background on ASP in this section.

### **ASP Background**

ASP Ship Management Pty Ltd (ASP) is an Australian Company, part of the ASP Ships Group of companies originally established in Melbourne, Australia in 1991, as a joint venture between the ship management arm of The Australian National Line (ANL) and a locally based third-party ship management company, Associated Steamships Pty Ltd. Through private acquisition and a recent management buyout, ASP has enhanced its capabilities and grown the core business to become an established world leader in the provision of safe ship management and maritime logistics service solutions operating in no fewer than 10 different countries, from 12 offices (including 3 offices in Australia and 1 in New Zealand), with a heavy emphasis in Australia, New Zealand, and Southeast Asia.

A previous shareholder acquired ASP in 1997 and transformed a purely Australian ship management business into its current status as a global, third-party ship manager and maritime service solutions provider. It now has fully established operational and crew management offices in Australia, New Zealand, Asia the Indian sub-continent and Europe.

In December 2018, Group Managing Director, David Borcoski, and Group Chief Financial Officer, Adrian Whatley, acquired the ASP Group through a management buyout. Both have worked with ASP for more than 20 years and have a deep understanding of the company's potential. The change in management has brought about significant growth for the ASP business and ensures that a highly experienced and well-connected team lead the ASP Group.

ASP is today a proudly owned Australian company with a global presence, wherein 100% of our shareholders are Australian citizens. ASP's head office is in Melbourne.

ASP has a long history of vessel owning, chartering, and operating tonnage to a strong and highly reputable client base, both in Australia and Internationally.

ASP has and continues to operate vessels that are integral to our clients supply chains both locally and internationally, such as petroleum products for oil majors, dry bulk products for mining houses as well as dry bulk products for Australian based refiners.

The ASP Group as a whole provides a complete range of integrated maritime service solutions to a long standing and reputable client base that includes both government and commercial contracts. ASP employs over 230 highly skilled shore-based staff and some 2500 + seafarers worldwide with skill sets equipped to service our diverse fleet portfolio from Tanker, Bulk Carrier, Container, Offshore and other

ship types. ASP's technical services capabilities and engineering support add flexibility and ultimately improved client satisfaction.

In Australia we employ 30 shore-based staff along with 250+ Australian seafarers.

Our range of services can be summarised as:

- Technical Ship Management
- Supply of Crew and full Crew Support Services
- Commercial Management
- Offshore Industry, including Support/Crewing
- Bunker Supply Services
- Marine and Technical Services, including Naval Architecture
- Newbuilding Support and Supervision
- Integrated Logistic Support for Defence Vessels

Today, ASP provide management services to over 145 + vessels of different types around the world.

### **What is your interest in the strategic fleet?**

ASP as a member of MIAL, has long supported and advocated for the need for an increase in Australian owned and controlled tonnage.

The risk of the lack of Australian owned and controlled shipping has been highlighted over recent times through events such as:

- The Covid 19 Pandemic and the disruption this caused to shipping, port congestion and supply chains in general;
- The Ukraine/Russia conflict;
- Sanctions imposed by the United Nations and members of some of our trading partners;
- The blockade of the Suez Canal with the grounding of the MV Ever Given;
- Natural disasters, such as fires and floods. This recently led to the damage of road and rail infrastructure which severely hampered the flow of East/West cargoes by land;
- The Department of Defence purchasing more commercial vessels to support natural disaster relief efforts both in Australia and our near neighbors; and
- The lack of vessels to enable training of crew as the next generation of Australian seafarers, leaving a skills shortage in not only crew, but the land-based roles that also rely on these same skills and experience.

ASP has long held the view that without Australian owned and controlled ships then our supply chains are exposed to disruptions in any part of the world. The belief that foreign flagged ships will always be available has shown to not be true, particularly over recent times. Given that in excess of 95% of our imports are carried by sea and on foreign flagged vessels, the owners or governments of these vessels could requisition these vessels in the event of a disruption in their part of the world. Therefore, the Australian supply chain will be exposed, leaving our imports, exports and coastal distribution vulnerable in the event these ships depart Australia to support their "home countries".

## **Part Two – Strategic Needs**

### **What is the strategic need?**

To help the Taskforce hone in on what the strategic needs the fleet could meet, the next question takes the example of a long-term stoppage to shipping. This is to help focus attention on the situation where there will be major consequences for the economy and community and to consider how the fleet could be used in times of crisis. This is not to discount the impacts from other disruptions or the consequences

for businesses or individuals, but to help government understand how to best use limited resources and identify a fleet that meets the greatest needs.

6. If there was a major disruption that means shipping ceased for more than a few weeks what would be the financial and non-financial consequences for:
- your business
  - your customers
  - the economy
  - the community

Please provide as much detail as possible. You may wish to think about whether the consequences are high, medium or low. A high consequence would mean people's lives would be at risk, medium is where activities could operate at a reduced level through to minor consequence where activities would be able to operate in any case or alternatives are available.

For example, if container shipping stopped and imports of medical equipment were unable to be shipped people's lives may be put at risk. If imports of Halloween decorations were not shipped, then there would be little consequence to the economy or community (acknowledging the individual business impacts).

**ASP Response:**

Our response is based on shipping being disrupted for a minimum of 2 weeks and we have assumed the disruption is to foreign flagged shipping and not Australian flagged vessels. If foreign flagged vessels ceased for more than a few weeks, then the current Australian flagged vessels would not have the required capability to meet the demand gap and in most instances would not be able to carry all of the required cargo types.

ASP's view is that the major impact would be felt through the reduction of fuel imports, given on any day there are a minimum of two (2) tankers discharging in an Australian port and that our on-shore storage is on average at 45 – 60 days. Should shipping be disrupted even for a minimum of 2 weeks, then we anticipate all fuel would be immediately rationed and priority made available to essential services.

Impacts on ASP as a business:

Should foreign flagged shipping be disrupted for 2 weeks then our current owned/operated/managed vessels would have reduced cargo to carry and therefore a limited or no requirement to operate.



Based on the above and at a high level this would mean:

- Ships would have to be tied /laid up at a secure berth (if they are available);
- Road, rail and/or air would not be able to move the required volumes or the actual commodities in question (fuel would be in short supply anyhow);

[REDACTED]

Impacts on ASP’s customers:

Using the above examples, we envisage the impacts on our customers would be as follows:

[REDACTED]

Impacts on the economy:

A disruption to shipping for a minimum of two weeks would have a significant impact on the economy, with the impacts having a multiplying effect each week the disruptions continue.

While the economy would suffer, some examples are referenced in the below “Impact on the Community” which have natural flow on effects.

In a report prepared for shipping stakeholders back in 2015 by PwC, they had determined that in 2012 – 2013 the total (including the direct and indirect impacts) contributions of the shipping industry was AUD\$21 billion in GDP; 45,000 jobs and AUD\$1.3 billion in tax revenue. The referenced report is titled

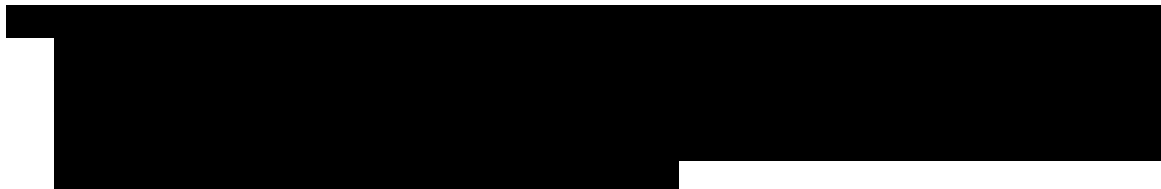
“The economic contribution of the Australian Maritime Industry”, February 2015. This can be used as a reference point to assist in determining the economic impacts of a prolonged disruption to shipping.

Imagine the impact on the economy if say Iron Ore could not be exported for a period of time. The Iron Ore could be stock piled. However, any extended disruption would lead to cessation of mining and aside from the cost to the business and their employees, the impact on tax revenue would be enormous, given tax revenue alone from the sale only of Iron Ore in the past 12 months was in excess of AUD\$15 billion.

This highlights the potential impact any shutdowns will have on the shipping industry. The wider implications to the economy are enormous and beyond our capacity to demonstrate / calculate in this report.

#### Impacts on the community:

A disruption to shipping for a minimum of two weeks would have a significant impact on the community, two broad examples are as follows:



- A reduction and then cessation of fuel imports, would have enormous impact on the community, given on any day there are a minimum of two (2) tankers discharging in an Australian port and that our on-shore storage is on average at 45 – 60 days. Such a disruption would lead to fuel rationing, which impacts the daily lives of all in the community, as well as all forms of transport – road, rail, air, shipping (private and public), emergency services, Defence, manufacturing, tourism, service sector, education, etc., etc. We envisage a disruption to shipping would bring about an immediate need to ration fuel, given Australia’s limited storage capacity.

Whilst it could be argued that some of the “essential” products could be flown into Australia, how do the aircraft re fuel? Also, whilst some products can be delivered via air, [redacted] fuel cannot be air freighted and must be imported by ship.

#### **What are the benefits from the fleet during ‘business as usual’ or other scenarios?**

Outside of the strategic fleet being called on in times of great disruption, the Taskforce is interested in what other benefits the fleet may provide. In providing your answers to the questions below, you may wish to consider where the fleet might provide more certainty and more control for Government or industry. The following list is a guide – there may be more areas of opportunity for your particular area of shipping.

- Continuity of supply
- Service frequency and reliability
- Service quality
- Risk mitigation – controlling unknown risk factors
- Efficiency and productivity
- Ability to secure long terms contracts of affreightment
- Freight contract terms e.g., moving from FOB contracts, to, for example, CRF contracts
- Future investment in ships, shoreside infrastructure and the workforce
- Business development opportunities
- Innovation and uptake of technology
- Decarbonisation
- Creation of a maritime cluster.



7. Benefits to you or your stakeholders.

- If a fleet of Australian flagged and crewed vessels was established, would you see benefits from the fleet for your business or your stakeholders during periods of ‘business as usual’?
- What are these and who would benefit?
- Do you have any data or research that quantifies these benefits?

For example, having a fleet may provide training and employment opportunities.

**ASP Response:**

In our response we have considered the examples you provided in the discussion paper of potential benefits under a “business as usual” scenario of having a strategic fleet compared to the current use of either Australian or foreign flagged vessels.

We do not see any major differentiation in terms of continuity of supply, service frequency and reliability, service quality, efficiency and productivity, etc. However, we do see benefits through the following (listed in no particular order of priority):

**Business Development Opportunities:**

It has been stated in the discussion paper that the Government’s commitment is to establish a fleet or privately owned and commercially operated vessels. Provided these vessels are able to compete, then business development opportunities would open up to secure cargoes currently carried by foreign flagged ships under temporary licences. This will increase opportunities to import/export a higher percentage of cargoes on Australian flagged vessels and assuming Tax Policy changes are made – we would be able to increase employment for Australian crew on foreign flagged vessels trading internationally. This would also expand our skills base for ships where we have limited qualifications and experience, such as LNG Tankers and Floating Regasification Storage Units (FSRU’s).

Further and subject to Tax policy changes, Australian flagged ships would also be able to compete on a more equal footing with road and rail transport for coastal cargoes, thus taking more vehicles off the road and reducing CO2 emissions.

The benefits would flow to not only the ship owner/operator, but to the cargo shipper/receiver through competitive pricing on Australian ships and increased employment opportunities for Australian crews. Thereby expanding their skills and providing an improved pathway into shore-based jobs where these core seagoing skills are required, i.e., Harbor Masters, Marine Pilots, Surveyors, etc.

**Community Safety:**

It has been well documented how commercial vessels have assisted in times of natural disasters, such as the Victorian and New South Wales fires back in 2019 – 2020, wherein it was a commercial vessel (foreign flagged, but Australian crewed) that was first on the scene to deliver much needed relief supplies to the thousands of people stranded by these devastating bushfires.

ASP has also had experience in providing assistance to protect the community and the environment. Back in April 2010, the bulk carrier “Shen Neng 1” ran aground on Douglas Shoal in the Great Barrier Reef and spilled an estimated 4 tonnes of fuel oil into the sea.

ASP was called on by the local authorities to provide assistance with our bunker tanker “Larcom”, whereby she attended at Douglas Shoal and assisted with the clean-up and as well as the recovery of oil from the vessel to ensure no further oil spills occurred.

These two examples provide evidence of how Australia's "Strategic Fleet" could support the community, particularly in times of disaster.

#### Decarbonisation:

If Australia is to meet our 'Net Zero by 2050' goal, there is an urgent need to begin the necessary work to transition our maritime industry to low and zero-carbon fuels, in line with other important industries and contributors to the Australian economy.

As a 'hard to abate' industry, international shipping contributes 2-3% of global GHG emissions, and on a business-as-usual trajectory, emissions are predicted to rise. The IMO's Strategy provides a vision and a pathway towards the reduction and phasing out of GHG emissions this century, but the sector faces multiple challenges in achieving this in the required timeframe, given cost, scale and lack of supply and distribution infrastructure for alternative fuel options.

Given the importance of reducing GHG's and the adoption of alternative fuels, ASP has established a team to work with clients, OEM's, fuel suppliers and other stakeholders to develop alternative fuel pathways and to work with global Industry bodies to ensure the various governments (including Australia) have the right policy settings.

ASP is a member of Maritime Industry Australia Limited (MIAL), who is Australia's national shipping industry peak body. ASP's Group CEO David Borcoski is a Director of MIAL. ASP is working with MIAL to develop decarbonisation strategies and actions, including alternative fuels, for the Australian Maritime Industry.

A current high-level overview of main engines being developed to operate on alternate fuel options is as follows (noting options continue to evolve):

- LNG is the clear leader at this time for dual fuel engines with methanol also being adopted more widely;
- Engine Manufacturers MAN and WIN-GD are progressing with the roll out of their Ammonia engines in 2024 and 2025;
- Hydrogen marine engines on a large scale are still in early stages with no announcement on their readiness, but Hydrogen will eventually play a major role;
- Extensive research continues into other technologies such as Fuel cells, Batteries, Solar, Wind, CCS, Nuclear which will have supporting roles in carbon reduction.

For reference, "Dual-fuel ready" ships are prevalent, with 12% of current newbuilds able to use new fuels, comprising of Ammonia 0.02%, Hydrogen 0.06%, Methanol 0.30%, LPG 1.51%, LNG 6.10% and Battery 3.85%.

Whilst dual fuel engines are evolving, these need to be coupled with the supply and availability of the different alternate fuels available in ports around the world. At this stage, Australia can supply traditional fuels for ships, along with a limited supply of biofuels and LNG by truck.

ASP agrees with statements made by MIAL that "Australia" has the potential to become a renewable energy superpower and a major generator of low and zero carbon maritime fuels to the local and global shipping industry."

The adoption of an Australian Strategic Fleet will provide both industry and government with the opportunity to further the goal of 'Net Zero by 2050'. Decarbonisation needs to be a key consideration in the development and implementation of an Australian Strategic Fleet. Further, work also needs to be undertaken with fuel suppliers to ensure the "fuels of the future" are available to ships in Australian ports.

#### Development of Maritime Skills:

With the decline in the Australian fleet over the years, this has also impacted the training, development and enhancement of our maritime skills. Not only for jobs on our ships, but also in shore-based roles that require maritime skills.

In the 2018 – 2019 “Seafaring Skills Census” undertaken by MIAL and based on supply and demand trajectories at the time, it was found that by 2023 there would be a forecast shortage of some 560 personnel to fill the required seagoing and maritime shore-based roles. A large proportion of these skill sets are in the Deck and Engineering Officer roles.

Australia cannot continue to rely on immigration to fill these roles, given the global shortage of supply of qualified seafarers, where there is a projected shortage of 18% by 2025.

The development of a Strategic Fleet would provide an increased number of Australian ships available to provide training and work opportunities, provided the current high costs of both training and the Industrial Relations framework are also addressed. These increased opportunities will help to secure the skills base required into the future and provide stability for critical supply chains and in addition, will provide strategic support to the nation if ever called upon in terms of natural disasters and/or conflict.

#### Risk Mitigation:

ASP believes that one of the key benefits of an Australian Strategic Fleet will be an increase in compliance with Flag State and Port State rules compared to using foreign flag vessels who regularly do not meet the strict enforcement of such rules by the Australian Maritime Safety Authority (AMSA) in Australia.

An Australian flagged vessel will reduce risk through increased compliance.

The media has reported maritime incidents related to ships in Australia, either running aground, losing containers overboard, oil spills, crew accidents, poor maintenance of the ships, etc. In the vast majority of such incidents, these are foreign flagged vessels. We accept that this could be due to the minimal number of Australian ships and the vast majority calling at Australian ports are foreign flagged. However, it is Australian owners/operators who have a better understanding of AMSA enforced Flag and Port State rules and have a high level of compliance.

To support this, we provide the following information from AMSA with regard to ship inspections and resulting detentions of ships in 2020.

Please note that the International Maritime Organisation (IMO) defines a detention as “intervention action taken by the port State when the condition of the ship or its crew does not correspond substantially with the applicable conventions to ensure that the ship will not sail until it can proceed to sea without presenting a danger to the ship or persons on board, or without presenting an unreasonable threat of harm to the marine environment, whether or not such action will affect the scheduled departure of the ship”.

The Table below shows the number of ships which underwent a Port State inspection by AMSA in 2020 (by ship type) and the number of ships detained following such inspection:

Ship type	2020		
	Inspections	Detentions	Detention rate
Bulk carrier	1,840	121	6.6%
Chemical tanker	235	7	3.0%
Combination carrier	1	0	0.0%
Container ship	263	17	6.5%
Gas carrier	55	2	3.6%
General cargo/multi-purpose ship	135	14	10.4%
Heavy load carrier	36	3	8.3%
Livestock carrier	29	2	6.9%
NLS tanker	31	1	3.2%
Offshore service vessel	15	0	0.0%
Oil tanker	126	4	3.2%
Oil tanker/chemical tanker	2	0	0.0%
Other types of ship	18	0	0.0%
Passenger ship	23	1	4.3%
Refrigerated cargo ship	1	0	0.0%

Ship type	2020		
Ro-ro cargo ship	2	0	0.0%
Ro-ro passenger ship	1	0	0.0%
Special purpose ship	8	0	0.0%
Tugboat	26	0	0.0%
Vehicle carrier	122	4	3.3%
Wood-chip carrier	52	2	3.8%
<b>Totals</b>	<b>3021</b>	<b>178</b>	<b>5.9%</b>

Australian flagged vessels are inspected by AMSA under the Flag State rules, these vessels being Australian registered. These ships include large commercial vessels down to small, registered leisure craft and commercial work boats.

AMSA figures do not provide a breakdown of the number of vessels inspected under Flag State rules. However, we can ascertain that in this period only one (1) large Australian flagged commercial vessel was detained by AMSA.

#### 8. Broader benefits

- Do you see the fleet providing benefits to national security and sovereignty?
- What are these benefits and who would benefit?
- Do you have any data or research that quantifies these benefits?
- Do you see the fleet supporting future economic activity?
- What activity and who would benefit?
- Do you have any data or research that quantifies these benefits?

For example, having a fleet may open up regional manufacturing opportunities by moving bulk goods in volumes that are currently unable to be moved by road or rail.

#### **ASP Response:**

An increase in Australian registered ships will provide additional vessels available to the Australian government in times of need. This is one of the key aims of the Governments policy to consider the development and implementation of an Australian Strategic Fleet.

Australian registered vessels can be requisitioned by the Australian government in times of need. However, they cannot requisition ships which are registered in locations outside of Australia. It follows

that foreign governments can of course requisition ships registered in their countries when those countries have the need, thus reducing commercially available vessels for use by Australia.

A strategic fleet must meet the needs of government and the wider Australian economy and should ensure that they:

- Contribute to national economic security, such as providing secure supply chains, enhancing fuel security and distribution of key commodities such as building materials and medical supplies;
- Are able to support Australia's Defence forces;
- Be involved in both Australian Coastal and International trade lanes;
- Are available to support the Australian and neighboring communities in times of natural disasters;
- Develop maritime skills;
- Ensure a continuing link with Tasmania;
- Ensure regional and remote communities are supported. This includes the Government's obligations to external territories, such as Norfolk Island and the Indian Ocean Territories;
- Are supported by Government Policy settings to ensure they are commercially viable.

Whilst the vessels of the strategic fleet are to be commercially owned and operated, they are to be available to government in times of need. The commercial operators will need to ensure that their customers are acutely aware of this fact when entering into commercial contracts to carry freight on these ships.

A strategic fleet could support future economic activity in the following ways:

- With the right Policy settings, it would increase employment of Australian seafarers and supporting maritime jobs;
- Replace some foreign flagged vessels operating to/from/around Australia with Australian flagged and crewed vessels;
- Support the increasing demand for LNG imports and coastal distribution, which is seen by many markets as an interim fuel as we work toward the adoption of zero carbon fuels;
- Play a key role in the development and supply of future zero carbon fuels; and
- Support the development of Australia's emerging offshore wind farms.

Cascading down a competitive Australian fleet will also open up opportunities for support industries such as ship management, crew supply companies, training providers, maritime training schools and surveyors, to name just a few.

### **Part Three – any other information**

Please provide any other information that you think would assist the Taskforce in its deliberations on identifying the strategic needs a fleet of vessels could address.

#### **ASP Response:**

In terms of developing and implementing an Australian Strategic Fleet which is to be owned and operated by commercial operators, it must be structured to ensure it is commercially viable and competitive, otherwise why would a commercial entity take it on?

Within this section, ASP provides further information on the following which we feel need to be considered as part of an Australian Strategic Fleet and in particular to make it competitive with alternatives such as foreign flagged ships, road and rail (on the Australian coast):

- Current Shipping Legislation (Coastal Trading Act and Shipping Registration Act);
- Implement Fiscal / Tax Incentives;
- Ports; and
- Other opportunities.

### **Changes required to Government Policies and Settings:**

ASP has been and continues to be a strong supporter of Australian shipping and employment of Australian seafarers. However, this has reached a critical point where any further decline in the number of Australian ships will spell the death of Australian shipping.

Over the years, ASP, in conjunction with MIAL has advocated for change to support the industry and to in fact increase the number of Australian ships and the associated employment opportunities. A number of industry papers have been written and submitted to various government forums over this time. Copies of such submissions can be made available if required.

Many maritime nations around the world have structures in place which support their maritime activities, such as:

- Their shipping industry is incentivised, subsidised or protected in some way;
- Other nations place a greater value of the strategic and economic value of their shipping industries, more so that Australia does today;
- These nations provide regimes for the shipping industry to pay zero or negligible corporate tax, recognizing the value of their shipping industries; and
- International, seafarers typically pay no tax in their home countries.

Australia needs to provide a level playing field for Australian shipowners to provide a competitive service with foreign shipowners (the central themes being corporate and seafarers tax) and at the same time providing strategic assets to the Australian government for use in times of crisis.

When "Tax" incentives are raised, this usually triggers an immediate reaction in government of "lost revenue". We highlight that given the current low number of Australian owned and registered ships, there is minimal tax revenue that would be foregone should any of these measures be adopted as part of development and implementation of a Strategic Fleet.

In ASP's views we suggest that the following be considered for change:

### **Current Shipping Legislation:**

Review two (2) key pieces of Shipping Legislation (Coastal Trading Act and Shipping Registration Act) to ensure they are updated and each reflect the required outcomes of an Australian Strategic Fleet to ensure there is no contradiction or ambiguity. Such reviews to consider, amongst other matters:

- Ensure Temporary Licences are reviewed and that only issued whereby an Australian ship is not available;
- Promote competition between Australian providers of coastal ships and fair competition with road and rail modes in domestic freight transport;
- Remove ambiguities under the Australian International Second Register (AISR), for example, AISR ships must spend more than 50% of their operations in any year in international trades, yet a foreign flag ship can spend 365 days a year on the Australian coast;
- Consider ACCC oversight to monitor pricing in any monopoly trades;
- Minimum Australian crew component to be required rather than designated roles;
- Broaden the types of vessels eligible;
- Fix ambiguity regarding *Fair Work Act* implications when under a temporary licence;

- Implement improvements in the process of obtaining certificates of equivalence for seafarers; and
- Implement improvements (difficulty and expense) in the survey requirements for re-flagging in Australia.

The above are suggestions based on the known and existing legislation. However, we envisage that natural changes will occur to this legislation subject to the outcome of how an Australian Strategic Fleet will be implemented and the associated legislative changes. It may be that some of this legislation is no longer required in its current state.

#### Implement Fiscal/Tax Incentives:

Align Australian registered ships to be on an equal footing with the foreign flagged vessels with which we have to compete (both on the coast and internationally). Such considerations should include:

- Introduce deemed franking credits in respect of dividends to resident shareholders;
- Introduce dividend withholding tax exemption in respect of dividends to non-resident shareholders;
- Provide for the Seafarer Tax Offset to be available to Australian crew even if not working internationally in order that the operating cost of the ship can be reduced (i.e., cost saving vests with employer) thereby increasing the competitiveness of a ship employing Australian workers;
- Provide complementary seafarer income tax structure for those not employed by Australian companies or on Australian flagged ships (so Australian's are treated on an equivalent basis as their international counterparts). This will also increase the opportunities to train Australian seafarers on international ships;
- Provide fiscal incentives that acknowledge the subsidisation of road and rail modes and which incorporate the idea of the blue highway. In 2016/2017 the public funding from all Governments provided to road was \$26.1 billion and rail was \$8.5 billion. The funding to shipping was nil.

The employment costs of crew on foreign ships are considerably cheaper and other than the corporate tax arrangements one of the largest reasons for this is that they are commonly crewed by a range of nationalities, many from developing nations, and those from developed nations generally have access to personal income tax exemptions.

#### Ports:

Ports are also part of the supply chain and the competitiveness of Australian ships. At present the large international operators who carry import, export and coastal cargoes use these volumes to negotiate discounts on certain port costs. At the outset, an Australian Strategic Fleet would be at a disadvantage until it reached such size that it could compete with some of these foreign operators on port costs.

Consideration should be given to:

- Provide discounts / exemptions to Australian ships for port and regulatory fees;
- Invest in dedicated coastal ship terminals as critical infrastructure in key trade lanes (for example, we understand that Adelaide cannot accept Ro-Ro vessels as they do not have any Ro-Ro facilities);
- Ensure port planning processes provide priority access to ports and berths for Australian ships and shoreside facilities for their cargo.



**Other Opportunities:**

ASP has worked with a number of mining companies over the years who have looked to develop mines in one part of Australia and ship the mined product to another location in Australia, not serviced by rail, so they have investigated Coastal shipping. In some cases, the cost of Coastal shipping on an Australian ship have made the overall mining operation uneconomical. Therefore, these mines either did not proceed or the “refining” ended up being based outside of Australia so they could transport on foreign flagged ships.

We feel these opportunities will again be presented at times and that with a competitive Australian Strategic fleet then the outcomes could be different.

**ASP Summary:**

As mentioned at the outset, ASP is an Australian owned company, operating in a global market, but with a strong focus in Australia, where we are based. ASP is a supporter of the Australian Strategic Fleet, however, to meet the Governments objectives of the fleet being privately owned and commercially operated, the Government must ensure that:

- The vessels can operate competitively with foreign flagged vessels in both the international trades and Australian coastal markets;
- Fiscal support is provided to make the operations viable for the long term; and
- The shortage of Maritime Skills is addressed, along with a plan to increase the number of skilled Australian seafarers for the future in order to support the Strategic Fleet.

We thank you for the opportunity afforded ASP Ships to provide this submission.