



# Maritime resilience taskforce

30 November 2022

- Risks:**
- 1- National Security
  - 2- Skills Planning
  - 3- Suggested solutions

## **1 National Security**

- Australia's current merchant shipping capacity is totally inadequate to facilitate the movement of essential imports and exports, making us 100% reliant on other nations.
- There are approximately 11 cargo ships registered in Australia. 6 fully utilised as highway 1 on Bass Strait, 4 aging gas tankers approaching decommissioning, and a cement carrier. Critically, there are no tankers, no container ships and no bulk carriers.
- We lack the shipping tonnage to maintain our security and sovereignty in a crisis. Without a merchant shipping fleet owned, managed, and staffed (at least officer ranks) by Australians, we are at the mercy of the goodwill of other nations in any conflict. Our solution seems to be to assume other nations would facilitate our cargo requirements in a crisis. The unapologetic self-interest shown in Covid-19 vaccine distribution ex the EU suggests our assumption that our allies will continue to provide us with shipping volumes in any crisis is hopeful at best.
- Unless the hoped-for mutual commitments from all parties have been comprehensively discussed at the most senior political level, formally documented, and tested as a part of our strategic war games, the question remains as to whether the risk has been adequately assessed and mitigated.
- The 2016 Defence White Paper stated:
  - 56. 2 .56 Safeguarding Australia's maritime approaches, offshore territories and borders is essential for Australia's national security. Over the next 20 years, we expect the threats to our maritime resources and our borders to grow in sophistication and scale.
  - 57. 2 .70 Australia is committed to further strengthening the capabilities of Pacific Island Countries so they can act in support of shared interests . The Government will invest in providing more practical assistance through the Defence Cooperation Program, especially the Pacific Maritime Security Program, and we will work with regional countries to strengthen the regional security architecture.

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58. Australia also has deep economic security interests in South East Asia. The region's growth presents significant opportunities for Australia's economy and prosperity. Two-way trade with ASEAN countries was worth over \$100 billion in 2014. The waters of South East Asia carry the great majority of Australia's international trade including to our three largest export markets in China, Japan and the Republic of Korea. Nearly two thirds of Australia's exports pass through the South China Sea, including our major coal, iron ore and liquefied natural gas exports.

These statements indicate a strong commitment to protect sea-lanes so that Australia can continue to trade on them, however do not appear to take into account that 100% of that trade will be carried out on foreign ships, the majority those controlled directly or indirectly by China<sup>ii</sup>.

- This brings obvious risks, for example, how would Australia access our strategic fuel reserve on the west coast of the USA in a crisis? Chinese controlled tankers? China has recently demonstrated with coal carriers its capacity and willingness to block trade where it sees fit.
- The Merchant Navy is the unrecognised "4<sup>th</sup> Arm" of our defence service. In a crisis or conflict it is the Merchant Navy that provides supplies to an active military and supports the domestic economy by moving cargo around our coastline. It would be an indigenous merchant navy that would put Australia first in any such crisis ensuring the country was able to continue to function.
- The recent Productivity Commission report into vulnerable supply chains did not consider the security of merchant shipping. It was blind to the risks outlined here. It excluded supplies to Defence from its scope. It noted firms are best placed to consider and mitigate supply chain risk. It is clear firms have little insight into the registration, ownership structure, procurement, and manning of the ships that bring their inputs. Nor do they have any ability to influence the security of that supply chain.

## **2 Skills planning**

- A linked but separate issue is a lack of Australian maritime skills. Our denuded merchant capability has led to difficulties in sourcing Australians for key operational, management, strategic, safety, and policy roles. No workforce planning exists to ensure Australia can staff roles which require sea-going experience.
- The majority of formal structured training for masters and engineers ceased in the late 1990s as labour costs favoured a complete shift towards developing world shipping.
- With a small and decreasing professional workforce we are already in the position of having to import the skills to manage maritime matters. Companies operating in coastal trades such as the Oil and Gas industry are experiencing a worsening ability to staff their ranks with Australians.<sup>iii</sup> Our major ports have been forced to employ harbour masters on 457 Visas, and our maritime regulator, AMSA, has been recruiting overseas for some time. In an island nation this is a dereliction of strategic workforce planning.



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- We still, for now, have first class maritime training facilities in the country (they are largely training overseas students). We have large and experienced shipping companies that indicate they will register and staff ships from Australia if the legislative settings are right. We also have the significant remnants of a skilled and semi-skilled marine labour force. With the right policy settings and legislative environment, we can become more self-sufficient in this crucial strategic area.

### **3 Suggested solutions**

Australia is not alone in our reliance on maritime assets and skills. All countries with a sea border have the same strategic considerations. We are alone however, in the developed world, in ignoring the risks of a lack of merchant shipping capacity. Other nations, such as the UK, France, Denmark, Norway etc have provided the regulatory framework to encourage and enable a local shipping industry.

There are relatively simple, expedient, and cost effective actions we can take to remedy this strategic risk

- 1) Create a strategic fleet of assets under Australian control, using a range of measures
- 2) Ensure the Australian International Shipping Register (AISR) provides a platform for growth (is internationally competitive)
- 3) Build a pipeline of strategic skills across the assets created in 1 and 2
- 4) Leverage the existing domestic commercial vessel sector
- 5) Maximise national benefit from naval shipbuilding
- 6) Promote efficiency in coastal trading
- 7) Promote efficiency in port operations
- 8) Promote economic diversity

Pragmatic actions to achieve the above include:

- 1) Quantify the merchant shipping capability Australia would need to call on in a crisis.
- 2) Provide a corporate taxational legislative framework to encourage Australian registered shipping (compare with other countries such as the UK and France).



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- 3) Provide taxational relief for seafarers, as other developed world countries do, (eg UK and France), to bring Australian staff into competitive alignment.
- 4) Set a budget for a “Strategic fleet” that can support our armed forces when required but can also lift a minimum level of commercial cargoes where required.
- 5) Ensure decision makers at the highest level (Minister for Infrastructure, Transport and Regional Development, Minister for Defence, Minister for Home Affairs, Minister for Employment, Workforce, Skills, Small and Family Business) are receiving excellent advice from experienced maritime professionals. Eg a “Marine Affairs Advisory Board” containing representation from the shipping industry (operations, port, commercial) to provide insight to strategic and planning discussions, so that the relevant questions of “how do we manage this from a maritime lift capacity?” can be answered.
- 6) Set a national maritime policy that clearly outlines our objectives in this area and displays to our friends and foes alike that we are capable and ready to support our economy and, should we ever need to, our allies.
- 7) Consider an arrangement with the Pacific Island nations that Australia seeks to influence/support/butress whereby Australian International Registered ships can employ cost effective crew working with Australian officers. (Many of these countries produce able seafarers).
- 8) Govt users of Merchant Navy capacity such as, CSIRO, ANTDIV, AMSA, NAVY (Sycamore), Boarder Force compelled to train merchant officers to assist in the continuation of the skills set.



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**Table of current Australia fleet**

	Ship Name	Year	Type	Notes
1	NORTHWEST SANDERLING	1989	LG Tanker	About to be decommissioned
2	NORTHWEST SANDPIPER	1993	LG Tanker	About to be decommissioned
3	NORTHWEST SNIPE	1990	LG Tanker	About to be decommissioned
4	NORTHWEST STORMPETREL	1994	Gas Carrier	About to be decommissioned
5	VICTORIAN RELIANCE II	2018	Ro-ro	Highway 1 Bass Strait
6	TASMANIAN ACHIEVER II	2018	Ro-ro	Highway 1 Bass Strait
7	LIEKUT	2020	Ro-Ro/General Cargo	Highway 1 Bass Strait
8	SPIRIT OF TASMANIA I	1998	Ro Ro Ferry	Highway 1 Bass Strait
9	SPIRIT OF TASMANIA II	1998	Ro Ro Ferry	Highway 1 Bass Strait
10	SEAROAD MERSEY II	2016	Ro-Ro/General Cargo	Highway 1 Bass Strait
11	GOLIATH	1993	Bulk Carrier	Cement carrier

<sup>ii</sup> There is no public information available about the percentage of Australian shipping controlled by various countries. Anecdotally, from the perspective of pilotage operators who see all shipping, when asked in July 2021 about the current percentage of vessels crewed by Chinese officers:

Michael Kelly, Sydney Pilot “approximately 40-50%. Recently I noted that 100% of ships in port in Sydney on one day were Chinese ships.”

Peter Court, ex Chairman and MD of Port Phillip Sea Pilots “approximately 40-50% of traffic into Melbourne and Geelong is Chinese controlled.”

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<sup>iii</sup> Ian Del Rosso, GM of Operations at Australian Offshore Solutions says “we are finding it increasingly hard to man vessels with qualified, competent Australians. With the lack of training and lack of Australian vessels over recent decades this is not surprising, but alarming”.



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