CEMENT INDUSTRY FEDERATION

CIF Submission

Independent Review of the Coastal Trading (Revitalising Australian Shipping) Act 2012

ABN: 59 008 468 639

Australia's Cement Industry

INTRODUCTION

Thank you for the opportunity to comment on the Independent Review of the Coastal Trading (Revitalising Australian Shipping) Act 2012.

The CIF is the peak industry body representing all Australian integrated cement manufacturers.

There are five integrated cement manufacturing facilities[1] in Australia that are owned and operated by Adbri, Boral, and Cement Australia - supporting around 1,300 jobs directly and over 20,000 downstream employees and small businesses.

Our cement manufacturing facilities produce critical building materials that underpin Australia's key infrastructure needs.

Australian cement manufacturing is referred to as an 'import-competitive' sector', which means it must keep production costs lower than its international counterparts to remain competitive.

Just over 50 per cent of total clinker used to manufacture cement is produced locally, with imports playing an increasing role to support the demand for cementitious products in Australia.

A key current and future focus is decarbonising domestic cement manufacturing whilst retaining its international competitiveness.

Cement demand is closely aligned with the need to create new and maintain existing buildings and infrastructure such as roads, bridges, buildings and housing.

As the Australian population increases and there is strong domestic growth, the demand for cement increases.

Cement manufacturing and distribution provides thousands of jobs and critical investment in regional Australia as well as the suburban and industrial areas of our cities.

[1] Integrated cement manufacturers produce both clinker and cement at the one facility.

Australia's Cement Industry

CEMENT PRODUCTION

Cement is a critical ingredient in concrete, one of the most used materials in the world and essential for the Australian built environment.

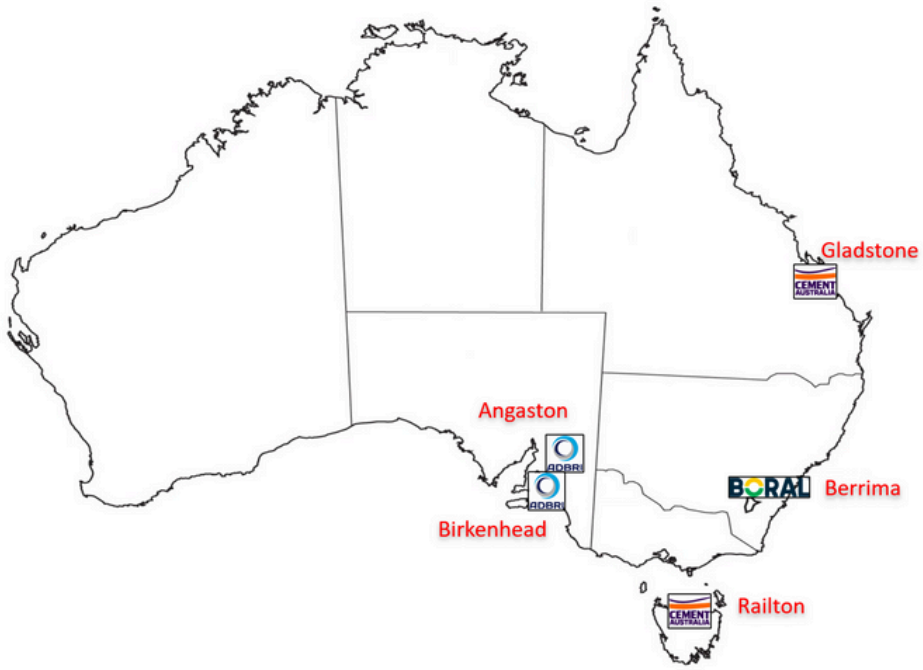
Australian integrated cement manufacturers produce clinker and cement. They are mainly based in regional centres across Australia (Figure 1) including at Birkenhead (SA), Angaston (SA), Berrima (NSW), Gladstone (QLD) and Railton (TAS). Cement is also produced at twelve stand-alone cement mills.

Cement is manufactured in Australia from local sources of limestone, which is crushed and blended with minerals such as shale, iron ore and sand. The resultant raw mix, or 'meal', is then sent to a pre-calciner where it reaches temperatures of up to 860oC, before entering a rotating kiln where it is further heated to 1,450oC. At these temperatures the mix undergoes a sintering process as it passes through the rotating kiln, partially melting and forming nodules of clinker.

The clinker is then cooled and stored before being sent to the grinding mill, where it is blended with gypsum and other materials (such as unburnt limestone, fly ash and blast furnace slag) – depending on the type of cement required.

The resulting cementitious products are then distributed (via road, rail or sea) to customers around the country, with further transport requirements associated with the manufacture and distribution of concrete.

Figure 1: Summary of circularity solutions in the built environment and infrastructure [2]



[1] Circularity: A key enabler to reach net-zero in cement and concrete, Nov 2024, World Economic Forum
[2] Note: BGC Cement, East Coast Cement, Gunlake/ Sumitomo, Hallet Group, Southern Cross Cement and Wagners and West Kimberly Cement are not members of the CIF as they do not manufacture clinker or integrated cement in Australia. These entities mainly rely on imported clinker or cement.

Australia's Cement Industry

SUPPLY CHAIN & TRANSPORT REQUIREMENTS

Cement manufacturers rely on maritime transport as part of the sector's manufacturing supply chain to deliver inputs to the facilities and to deliver products to key destinations around Australia.

Maritime transport is critical to the cement manufacturing supply chain and constitutes up to 25 per cent of their total costs for members reliant on coastal shipping.

Our cement manufacturing facilities depend on coastal shipping to move key inputs and to deliver final products to market.

Future shipping, port and distribution efficiencies are key to ensuring the Australian cement industry remains internationally competitive with its Asian counterparts.

Timeliness of delivery is essential to our members as the cost of freight is substantial for the companies involved.

An overview of the cement and concrete supply chain is provided at Figure 2.

The demand for coastal shipping is underpinned by a number of Australian manufacturers, who are required to move large quantities of low value materials to centralised locations for further processing and to market.

This must occur in a seamless manner due to the volume of inputs or final product being continuously shipped and delivered to the plant or the final market. Storage facilities can only facilitate small volumes compared to the total amount of cementitious product being moved on a continuous basis.

Without Australian manufacturing, there would be little need for bulk coastal shipping in Australia. Australian manufacturers are dependent on a small number of bulk carriers to transport their materials and final products domestically.

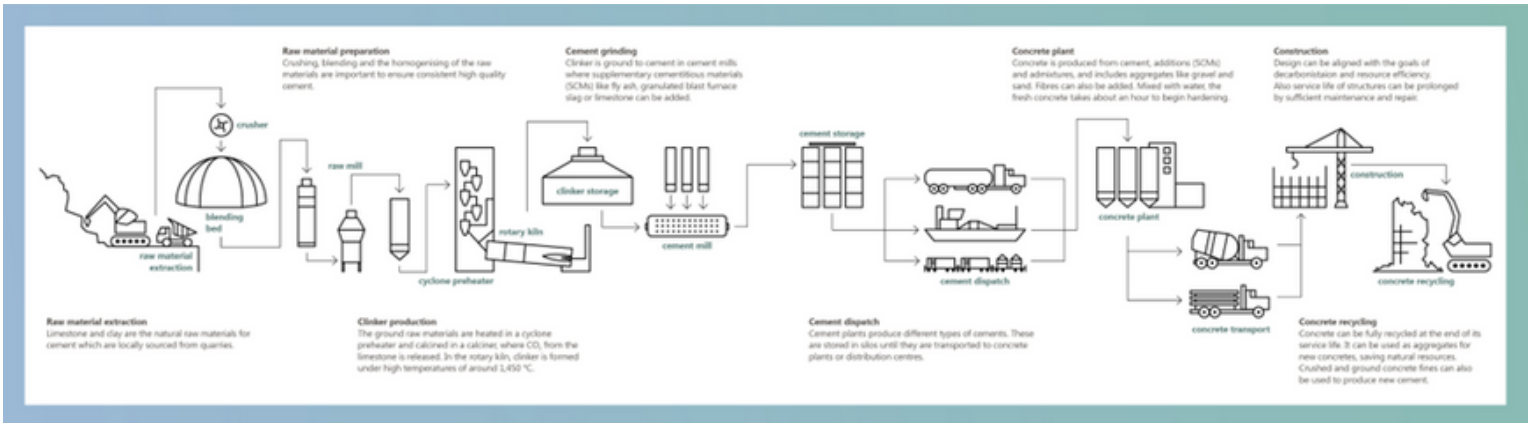
Alternative land transport modes are generally impractical due to the volumes involved.

Key manufacturing industries highly dependent on Australian coastal shipping include producers of iron and steel, alumina and aluminium, integrated clinker and cement, plasterboard, fertiliser, lime, sugar and refined petroleum products.

The demand for coastal shipping expands when there is growth in the Australian manufacturing sector.

Over the last 10 years the quantity of bulk coastal shipping freight has remained relatively constant at around 50 million tonnes.

Figure 2: Overview of the cement and concrete supply chain[1]



Australia's Cement Industry

RESPONSE TO CONSULTATION QUESTIONS

Background:

The current object of the CT Act 2012 is:

(1) The object of this Act is to provide a regulatory framework for coastal trading in Australia that:

(a) promotes a viable shipping industry that contributes to the broader Australian economy; and
(b) facilitates the long term growth of the Australian shipping industry; and
(c) enhances the efficiency and reliability of Australian shipping as part of the national transport system;
and
(d) maximises the use of vessels registered in the Australian General Shipping Register in coastal trading; and
(e) promotes competition in coastal trading; and
(f) ensures efficient movement of passengers and cargo between Australian ports.

(2) This Act aims to achieve its object by the following means:

(a) ensuring that a vessel that is used to engage in coastal trading under a general licence has unrestricted access to Australian waters;
(b) ensuring that a vessel that is used to engage in coastal trading has access to Australian waters under a temporary licence that is limited in time and to voyages authorised by the licence;
(c) ensuring that a vessel that is used to engage in coastal trading under an emergency licence has the access to Australian waters required to deal with the emergency to which the licence relates.

Questions 1 and 2 of the Consultation Paper

Of the 3 proposed options for the Object of the Act, with which do you agree most? Please explain why. Is there anything else that should be considered for inclusion in the Object of the Act? Please explain why.

The key object of the current Coastal Trading Act has been unsuccessful in 'revitalising Australian coastal shipping', as demonstrated by the continuing decline in the number of Australian flagged vessels moving manufacturing inputs and final products around Australia's coastline.

Not considering the customer base for coastal shipping in the objects of the CT Act is a key flaw in the legislation as well as the alternative options presented in the consultation paper.

The increased cost burden of the CT Act being imposed on domestic manufacturers has contributed to products being sourced from overseas markets, thus negatively affecting the Australian manufacturing sector and impeding any growth of the Australian coastal shipping market.

Australian manufacturers support thousands of jobs, especially in regional Australia, and the current object of the Act will continue to negatively impact manufacturing growth and stability unless the Act object aims to deliver shipping services to its customers base in a competitive, efficient and sustainable manner.

Whilst the CIF supports a simplified object in principle, we do not agree with any of the proposed options included in the consultation paper and offer the following object to sustain and grow both Australian manufacturing and domestic coastal shipping into the future:

(l) The object of this Act is to provide a regulatory framework for coastal trading in Australia that:

(a) promotes and supports a competitive, efficient and sustainable shipping industry that contributes to the broader Australian economy; and
(b) can support a freight and passenger task of Australian shipping users in a way that enhances Australia's international competitiveness.

This submission attempts to address the key concerns of the CT Act from a user perspective. It is important to note that without a competitive cost base, the demand for Australian coastal shipping services will continue to decline.

Question 3. Is the current licencing framework fit-for-purpose?

Background:

The CT Act provides for three types of licences:

1. **General licences (GL)** are available for a maximum of five years for vessels registered on the Australian General Shipping Register. **Under a general licence, there are no restrictions on a vessel engaging in coastal trading**

2. **Temporary licences (GL)** are granted to foreign flagged vessels carrying domestic cargo or to vessels registered on the Australian International Shipping Register. Licences must be approved by a delegate for the Minister for Infrastructure, Transport, Regional Development and Local Government from the Department of Infrastructure, Transport, Regional Development, Communications and the Arts. The licence allows the vessel to be used in coastal trading over a twelve-month period under certain conditions. Licence holders must undertake at least five voyages during the licence period and must specify the details of each voyage in advance, including forecast cargo quantities and voyage dates, when applying for the licence. Approval of the licence can be challenged by general licence holders providing competing services, and the Minister's delegate must consider that challenge when deciding whether to grant the temporary licence.

3. **Emergency licences (EL)** can be granted by the Minister for Infrastructure, Transport, Regional Development and Local Government's delegate in response to national emergencies that require a significant and coordinated response.

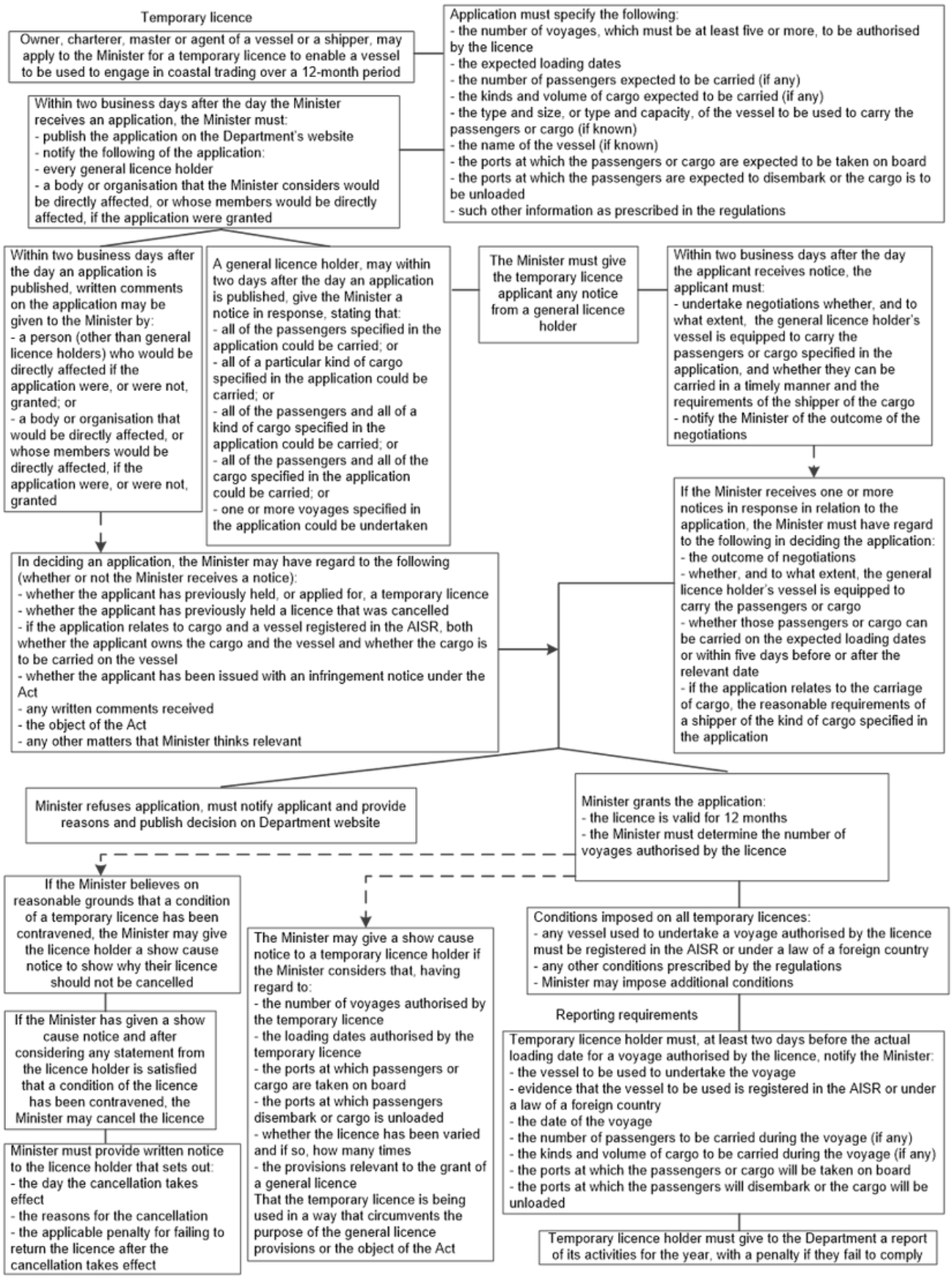
The Minister can also apply an exemption from requirements of the Act for certain types of vessels for a defined period in response to specific shipping needs. For example, in January 2022, exemptions were provided to container and roll-on, roll-off vessels when floods damaged east–west rail links (Federal Minister for Infrastructure and Transport 2022).

The *Fair Work Act 2009* also applies to all vessels engaged in coastal trading where they are: operating under a general or emergency licence; have a majority of Australian employees; or are operated or chartered by an Australian employer. Vessels on a temporary licence undertaking more than two coastal trading voyages in a twelve-month period are also subject to the Fair Work Act for each voyage from the day the loading of domestic cargo begins until unloading is complete (Fair Work Ombudsman 2021).

The licencing arrangements of the CT Act are overly complex and not commensurate to the size of the market

The current licencing framework is not fit for purpose as it promotes monopolistic behaviour and a significantly higher cost structure that is passed on directly to shipping users, including Australian manufacturers. Costs that Australian manufacturers can ill afford.

The Productivity Commission has attempted to depict the **highly complex current temporary licensing process** for eligible vessels to engage in coastal trading[4] under the Coastal Trading (Revitalising Australian Shipping) Act 2012:



[4] Productivity Commission 2014, Tasmanian Shipping and Freight, Report No. 69, Inquiry Report, Appendix C, Canberra.

The administrative and financial cost burden associated with the licencing requirements of the CT Act is difficult to justify based on the small size of the overall coastal shipping market. The CIF estimates the regulatory cost burden of the CT Act increases costs by up to 25 per cent for cementitious products.

The latest data on the size of the major Australian Coastal Trading Fleet can be found in Attachment 1. The Coastal Trading Act 2012 only applies to vessels that trade interstate, the actual size of the bulk coastal trade market is actually smaller than 50 million tonnes, as the movement of bauxite within Queensland makes up a significant proportion of the coastal trading market.

The licencing arrangements within the CT Act

The Federal Government advocated in 2012 that productivity improvements would be implemented to address the added cost burden of supporting General Licenced vessels within the CT Act via a signed 'Productivity Compact' between Australian shipowners and the Maritime Union of Australia – see **Attachment 2**.

This Compact has done little to attract Australian registered vessels to Australia's coastline, nor created any significant productivity gains. Most would now forget that the Compact even exists.

The TL regulatory and reporting requirements are complex and the regulatory cost and administrative burden is passed directly Australian manufacturers as depicted in **Figure 3**.

Figure 3: Impact of coastal shipping regulation on Australian manufacturing industries

If it is in the national interest to support GL vessels that are not internationally competitive, funds should be provided directly via the Australian Government and the current TL requirements be removed from the CT Act.

To have a vessel move cement from one Australian port to another, the CT Act states that the vessel contractor must apply for a TL for a minimum of five voyages - even if fewer are required. This has led to 'dummy' voyages being included in voyage applications that need to continuously approved and reported to the Department of Infrastructure, on behalf of the Minister. Each administrative application to move manufacturing goods by sea around Australia's coastline must include the following information:

1. The number of voyages, which must be at least five or more, to be authorised by the licence
2. The expected loading dates
3. The kind of product and the related volume of cargo expected to be carried
4. The type and size, or type and capacity of the vessel to be used to carry the cargo
5. The name of the vessel
6. The ports at which the cargo is to be loaded
7. The ports at which the cargo is to be unloaded
8. Any other information prescribed in the regulations.

If the cargo volume or date of loading/ unloading is required to be changed (a common occurrence when you are running a manufacturing facility), a variation to the five-voyage TL is required. The related administrative cost burden is significant and generally pointless as there is not an alternative GL vessel available in most instances.

This regulatory burden being placed on Australian manufacturers via the CT Act offers little flexibility to run a manufacturing business when volumes and loading dates are always subject to change. These changes need to be reported to the Australian Government as a variation to the licence, creating further uncertainty and administrative burden.

Question 4 Are there alternative coastal trading regulatory frameworks that are better suited to Australia's coastal trading market? Why/why not?

It is critical that unnecessary regulatory imposts, such as the those imposed under the CT Act regulatory framework, be removed by the Federal Government as a priority.

An alternative regulatory framework supported by CIF members is to allow foreign flagged vessels to apply for a TL for a period of up to twelve months at a time, with no unnecessary ongoing application requirements to operate. The current administrative reporting burden of applying and/or changing a TL licence should be removed from the Act.

If it is in the national interest to promote GL vessels, they should be supported by the Federal Government using public funds directly instead of taxing the Australian shipping industry's core customer base via the CT Act's regulatory framework. It makes no sense to support a shipping industry that is protected from competition and therefore has little incentive to introduce any economic efficiencies or productivity gains.

In the short term, the five voyage minimum requirement for a TL vessel to operate should be removed, especially where there is no potential for a GL vessel to challenge a particular TL schedule within a twelve month period.

Question 5: How can Australia's coastal trading regulatory framework better support the growth of the Australian shipping industry while still enabling foreign vessels to engage in coastal trading?

It is critical that the cost differential between GL and TL vessels be addressed. The current CT Act framework is constructed to ensure the cost differential is passed to the shipping user (which are mainly Australian manufacturers and the agricultural sector).

It is still cheaper to ship cementitious material from Asia to Australia than to move the same material from one Australian port to another. The CT Act currently incentivises imports over domestic manufacturing as it unnecessarily erodes the competitive base of Australian manufacturing.

Question 6: Should temporary licence holders who have held temporary licences year after year be required to transition to a general licence or a new category of licence that better represents the regularity of trading they engage in?

No - if it is in the national interest for shipping users to move from a TL to GL licence, the cost differential should be funded from Federal revenue, not Australian manufacturers.

Question 7: If you regularly hold temporary licences, what is inhibiting you from transitioning towards being Australian flagged and crewed? What would encourage you/provide an incentive for you to transition to being Australian flagged and crewed?

See previous responses above.

Question 8: .If you regularly hold temporary licences, please identify the impact, financial or otherwise, a move to the use of an Australian vessel may have on your business operations? Please provide as much detail as possible.

See previous responses above. The key factors which should be considered in the decision on which vessel to use to move cargo should always be:

Cost, safety, flexibility and timeliness. Freight is a substantial cost for Australian cement manufacturers and can erode the sector's competitiveness if shipping services being offered are not facing similar competitive circumstances to drive efficiency and productivity gains.

Future of Australian Shipping

Question 12: Is the current definition of coastal trading sufficiently broad to encompass relevant activities in the maritime industry today and in the future?
Question 13: Does the current definition of coastal trading account for or include emerging maritime developments and investments?
Question 14. How can the Act ensure that Strategic Fleet vessels operate competitively to help grow the Australian maritime industry?
Question 15: Beyond the recommendations from the Strategic Fleet Taskforce, what else is required to ensure the Australian shipping industry can continue to grow?

Consideration should be given to redefining the key objectives of a future Australian strategic fleet. There is a real opportunity for domestic coastal shipping to expand in the future to strategically meet Australia's decarbonisation needs.

Support for decarbonisation hubs and the related strategic maritime needs will be important into the future.

A domestic strategic fleet that is safe, reliable, competitively priced and can sustainably meet the needs of cement manufacturing operating requirements could materially assist our sector to decarbonise.

Australian manufacturers are not equipped to stockpile significant amounts of inputs and products. It will always be important that any regulatory barriers to vessel flexibility are addressed to allow Australian manufacturing to retain its competitiveness against imports.

Question 16: Should strategic fleet vessels be treated differently to other general licence holders? Are there any unintended consequences of treating a strategic fleet vessel in a different way to a general licence holder?

If the licencing conditions of a TL vessel are less onerous and the cost differential can be addressed, it is possible that a strategic fleet vessel could be treated the same as a GL vessel to increase competition across the coastal shipping market. The last thing the CT Act needs is more complexity to address another class of licence.

However, Australia will always only have a small coastal shipping fleet and manufacturers require a range of different vessels that meet their needs. International vessels will also continue to play a critical role in supporting a 'vibrant future for Australian coastal shipping'.

Other - Regulation Impact Statement

The CIF considers it is important that the Department undertakes and publishes a Regulation Impact Statement to inform any future amendments to the CT Act and that a further consultation phase be undertaken.

We also respectfully request that the next consultation phase on the CT Act includes questions that consider the impact of the current and future licencing arrangements on the Australian manufacturing sector (the customer base that drives the demand for domestic coastal shipping and its future).

Thank you for the opportunity to provide the above comments. For further information relating to this submission please contact the Cement Industry Federation – details can be found at www.cement.org.au.

SUMMARY AND FURTHER CONTACT

For further information relating to this submission please contact Ms Margie Thomson, Chief Executive Officer, using the details below.

Margie Thomson
Chief Executive Officer,
Cement Industry Federation
[redacted]

Table 5.9 Ships in the major coastal trading fleet, 2020–21

Ship name [a]	Flag [b]	DWT [c] *('000 tonnes)*	Goods carried [d]	Known Australian ports visited [e]	Known foreign countries visited [b,f]
Bulk carriers					
RTM Gladstone	SGP	90.3	Bauxite	Gladstone, Gove, Weipa	CHN, JPN
RTM Wakmatha	SGP	90.3	Bauxite	Gladstone, Gove, Weipa	
RTM Weipa	SGP	90.3	Bauxite	Gladstone, Gove, Weipa	
RTM Piiramu	SGP	89.9	Bauxite	Gladstone, Gove, Weipa	
RTM Twarra	SGP	89.9	Bauxite	Gladstone, Gove, Weipa	
CSL Reliance	BHS	49.5	Mineral sands, gypsum, sugar, clinker	Brisbane, Fremantle, Geraldton, Gladstone, Hay Point, Mackay, Melbourne, Sydney, Thevenard	PHL
Mareeba; Sidera	BHS; BHS	46.7	Dry bulk	Bell Bay, Devonport, Geelong, Geraldton, Gladstone, Mackay, Melbourne, Mourilyan, Newcastle, Port Kembla, Sydney, Thevenard, Whyalla	JPN, KOR, MYS, PHL
Elanora	BHS	46.2	Gypsum, mineral sands	Ardrossan, Brisbane, Devonport, Fremantle, Geelong, Geraldton, Gladstone, Melbourne, Port Kembla, Sydney, Thevenard, Townsville, Whyalla	PHL
Adelie	BHS	45.6	Clinker, gypsum, calcite, coal, dolomite, mineral sands	Adelaide, Ardrossan, Brisbane, Devonport, Fremantle, Geraldton, Gladstone, Mackay, Melbourne, Port Kembla, Sydney, Thevenard, Whyalla	
Acacia	BHS	40.7	Gypsum	Brisbane, Melbourne, Port Kembla, Thevenard	IDN
Spica Harmony	LBR	36.9	Dry bulk	Adelaide, Devonport, Geelong, Newcastle, Portland	NZL, PHL
Luga	BHS	29.0	Cement	Adelaide, Gladstone, Melbourne, Newcastle, Townsville	IDN
Kondili	BHS	28.4	Cement, fly ash	Adelaide, Brisbane, Gladstone, Melbourne, Newcastle, Sydney, Townsville	IDN
Wyuna	BHS	28.4	Cement, fly ash	Adelaide, Devonport, Gladstone, Melbourne, Newcastle, Sydney, Townsville	IDN
Donnacona#	AUS	28.1	Iron ore	Cape Preston, Dampier	
Akuna	BHS	26.5	Cement, fly ash	Adelaide, Gladstone, Melbourne, Newcastle, Sydney, Townsville	
Goliath#	AUS	15.5	Cement	Devonport, Melbourne	
Wunma	AUS	5.1	Zinc concentrate, lead concentrate	Karumba	
Aburri	AUS	3.3	Zinc concentrate, lead concentrate	Bing Bong	
General cargo ships					
Pioneer	HKG	22.1	Sugar	Hay Point, Mackay, Sydney	SGP
ICS Silver Lining	ATG	12.7	Zinc and lead middlings, lead and alloys, containers, general cargo	Bell Bay, Burnie, Hobart, Melbourne, Port Pirie, Whyalla	CHN, PHL
Liekut#	AUS	11.9	Vehicles, general cargo, containers	Devonport, Melbourne	ZAF
Tasmanian Achiever II#	AUS	11.5	Vehicles, general cargo, containers	Burnie, Melbourne	
Victorian Reliance II#	AUS	11.5	Vehicles, general cargo, containers	Burnie, Melbourne	
Accolade II#	AUS	8.1	Limestone	Adelaide, Klein Point	SGP
Searoad Mersey II#	AUS	8.0	Vehicles, general cargo, containers	Devonport, Melbourne	
Spirit of Tasmania I#	AUS	5.1	Vehicles, general cargo	Devonport, Geelong, Melbourne	
Spirit of Tasmania II#	AUS	5.1	Vehicles, general cargo	Devonport, Melbourne	
Lucky Eyre	AUS	3.4	General cargo	Fremantle, Other Ports WA	
Trinity Bay#	AUS	3.2	General cargo	Cairns, Horn Island, Thursday Island, Weipa	
John Duigan#	AUS	2.4	General cargo, livestock, containers	Adelaide, Bell Bay, Geelong, King Island, Melbourne, Sydney	
Vehicle carriers					
Daedalus Leader	JPN	21.4	Vehicles	Adelaide, Brisbane, Darwin, Fremantle, Melbourne, Port Kembla, Townsville	IDN, JPN, SGP, THA

Table 5.9 Ships in the major coastal trading fleet, 2020–21 (continued)

Ship name [a]	Flag [b]	DWT [c] *('000 tonnes)*	Goods carried [d]	Known Australian ports visited [e]	Known foreign countries visited [b,f]
LPG Tankers					
Epic St.Agnes	SGP	5.2	LPG	Brisbane, Cairns, Darwin, Devonport, Gladstone, Hastings, Hobart, Port Kembla, Sydney	FJI, PNG, SLB
Tankers					
Absolute I	AUS	8.6	Bunker fuel	Fremantle	
ICS Integrity	BHS	7.5	Petroleum	Geelong, Melbourne, Sydney	PHL
ICS Allegiance	BHS	6.1	Petroleum	Geelong, Melbourne	CHN
ICS Reliance	BHS	6.1	Petroleum	Geelong, Melbourne, Sydney	PHL
Larcom	AUS	4.0	Bunker fuel	Gladstone	

a Multiple names are listed for some ships because these ships changed their name during the financial year.

b Country codes are used in tables for ship flags and known countries visited by ships. Full name of countries are in "Appendix B: Trading regions and country codes".

c Ships of the same type are sorted by their size (DWT, '000 tonnes) in descending order.

d The goods carried by ships in the trading fleet are derived based on industry knowledge and/or vessel type.

e The "Known Australian ports visited" by ships may include several nearby ports ports, terminals or facilities, mainly because of difficulties in clearly identifying exact freight origins and destinations. The full list of ports and grouped ports/terminals/facilities is in "Appendix A: Australian ports"

For example, Darwin in this report includes Darwin Port and the neighbouring Darwin LNG and INPEX LNG. Sydney in this report includes Port Botany, Botany Bay, Gore Bay, Glebe Island, Kurnell, Port Jackson and White Bay. Fremantle in this report also includes Kwinana. Weipa in this report also includes Amrun.

f Only includes foreign countries where there was at least one ship visit or departure directly from or to an Australian port.

Denotes major Australian registered vessels with a general trading licence.

Sources: DITRDCA (2022), Lloyd's List Intelligence (2022), Shipping companies (various) – personal communications.

BLUEWATER SHIPPING REFORM LABOUR RELATIONS COMPACT

BETWEEN

AUSTRALIAN SHIPOWNERS ASSOCIATION (ASA)

AUSTRALIAN MARITIME OFFICERS UNION (AMOU)

MARITIME UNION OF AUSTRALIA (MUA)

30 May 2012

INTRODUCTION

On 1 December 2010, the Minister for Infrastructure and Transport, the Hon Anthony Albanese MP released a Discussion Paper entitled 'Reforming Australia's Shipping Industry'.

The Discussion Paper indicated that the shipping reform package outlined in the Paper is conditional on a Compact between industry and unions to deliver productivity and efficiency reforms to better align practices in the Australian shipping industry with international best practice. This will need to be substantially accomplished by mid 2012. The Discussion Paper specified that consideration should include at least the following:

> Ship based cost reduction targets, including work practice productivity and efficiency gains;
>
> A process to review minimum manning levels by shipowners, the maritime unions and the Australian Maritime Safety Authority, to determine the optimum operational crewing levels on board vessels that do not compromise safety or environmental outcomes; and
>
> The introduction of riding gangs on board vessels involved in the coastal trade to undertake additional maintenance on terms and conditions of employment established under the Fair Work Act.

When releasing details of the Government agreed shipping reform package on 9 September 2011, Minister Albanese re-stated that a Compact between the industry and unions will be needed, and that the Compact must include changes to work practices, a review of safe manning levels and the use of riding gangs on coastal vessels. The Minister advised that the Compact is essential to the Governments reform agenda.

Meetings involving ASA, AMOU and MUA were held between April 2011 and May 2012 to consider the terms of the Compact.

This document represents the agreed position of the parties to this Compact arising from those discussions.

PREAMBLE

The ASA, AMOU and the MUA are committed to ensuring that the agreements and undertakings provided in the Compact will be implemented in a timely manner, and in keeping with the commitments of the parties to deliver productivity and efficiency improvements that will complement the shipping reform measures the Government has agreed to implement.

THE COMPACT

COMMITMENT TO A SUSTAINABLE INDUSTRY

1.1 The Australian Bluewater shipping industry is cost sensitive and subject to land and seaborne competition.

1.2. The challenge facing the parties is balancing total labour costs against the capacity to pay and the parties agree that future Enterprise Bargaining Agreements (EBA) will be made bearing this in mind.

1.3. The parties agree that in order to maintain reliable and consistent shipping services Enterprise Bargaining Agreement (EBA) negotiations should be conducted by a single bargaining unit (SBU).

1.4. The Compact recognises the need for continuing productivity and efficiency improvements which are addressed in this Compact.

ONGOING PRODUCTIVITY GAINS

2 SHIPBOARD MANAGEMENT COMMITTEE

2.1. The productivity and hence the economic viability of a vessel is largely determined by the effectiveness of shipboard management as well as the crew configuration and crew utilisation.

2.2. The parties agree that vessels covered by this Compact shall subject to any applicable law, Award or Enterprise Agreement and relevant company policies and procedures operate under the overall authority of the Master.

2.3. Consistent with the objectives of Maritime Industry Development Committee (MIDC) each vessel will have a Shipboard Management Committee consisting of the Master, Chief Engineer, Chief Officer, 1st Engineer, Chief Integrated Rating and Chief Caterer chaired by the Master.

2.4. The purpose of the Shipboard Management Committee is to maintain the overall productivity and safe operation of the vessel and ensure that the crew is conversant with the operational requirements and objectives of the company for the vessel. At regular intervals the Master will brief the Committee as to the voyage schedule, its objectives and any particular support required from the crew in achieving these objectives.

2.5. The Committee is not a “works” committee and does not deal with the day-day operational maintenance of the vessel.

2.6. Decisions of the Shipboard Management Committee will be by consensus and where agreement cannot be reached the Master will determine the matter and record the reasons in the minutes.

2.7, Whilst the Committee should not be seen as an industrial committee it should through good management discuss and resolve issues, including those which could lead to disputation.

2.8. A Shipboard Works Committee - consisting of the Chief Officer, 1st Engineer and Chief Integrated Rating - will be responsible to the Shipboard Management Committee for the allocation of labour resources to ensure that the operational and maintenance program for the ship are carried out in a safe and efficient manner.

2.8.1. The Shipboard Works Committee conduct its’ work in accordance with the company policies and procedures as outlined in the Company’s Safety Management System (SMS) incorporating the International Safety Management (ISM) Code.

3 WORKPLACE CULTURE

3.1. The parties agree that all vessels, which are the workplaces of Australian seafarers, be free from risks to health and safety. This not only includes the physical safety of all on board but also the right of seafarers to perform their duties free from harassment and bullying and in a way that protects the seafarer’s general health and wellbeing.

3.2. The parties acknowledge that as each company entrusts the Master and senior officers with the safe and efficient operation of the vessel, these officers have the delegated authority to manage

the crew to meet the expectations of the company, **in** accordance with the company's policies and procedures.

3.3. The parties agree to the concept of company codes of conduct applying at a shipboard level that aim to create a safe, productive working environment and meet the needs of a modern industrial society. Codes of conduct could include provisions to:

3.3.1. Actively encourage a culture of respect across organisations; and

3.3.2. Actively encourage a culture of respect across occupational groups.

3.4. The parties acknowledge that the social changes in working relationships provided in Standards of Training, Certification and Watchkeeping (STCW) 2010 requires substantial new competence requirements relating to leadership, teamwork and managerial skills for senior officers to meet the change and the parties will work co-operatively to ensure those changes are introduced.

4. TEAMWORK AND WORKFORCE EFFICIENCY

4.1. To achieve maximum workforce efficiency, employees shall work as a team with each employee working to the level of their classification, job description, training, competence, certification and applicable legislation and be encouraged to work to higher levels in a co-operative effort, to ensure the safe and efficient operation of the vessel.

4.2. The parties agree that they will engage constructively to identify and commit to opportunities where productive changes and reforms to existing practices and working arrangements could be made, that will ensure a sustainable and enduring shipping enterprise. The parties agree that it is a fundamental principle of this Compact that all vessels shall be operated in the most efficient and productive manner possible, and any impediments to this happening will be identified and removed.

4.3. For functional shipboard operations it is important to achieve and maintain equity in hours/effort between seafarers.

4.3.1. Current Enterprise agreements provide -- "the normal daily working duration shall be eight hours, seven days per week. However seafarers may be required to work up to twelve (12) hours in any one day to meet the commercial and operational requirements of the vessel but the average hours spent on duty per day shall not exceed eleven (11) averaged over a period of one week."

4.3.2. For Deck Officers in particular, as the maximum hours are constantly met they are regulated by the Master in accordance with International Maritime Organisation (IMO)/Australian Maritime Safety Authority (AMSA) regulations to ensure that Officers receive a minimum of 77 hrs rest in any one week.

5. DISPUTE RESOLUTION

5.1. For the overall benefit of Bluewater Shipping the parties to this Compact agree to strictly adhere to the dispute resolution procedure, so that any dispute shall be promptly resolved by conciliation in good faith without resort to, or threat of, industrial bans or stoppages so as work shall always continue without interruption.

5.2. It is agreed that workplace disputes should be resolved on board with the resort to union or company industrial officers being the choice of last recourse.

5.3. This in no way reduces the responsibility of the respective union delegates but reflects the move away from disputation to consultation.

5.4. Where a matter is unable to be resolved on board the Master and the affected party or representative of an affected party shall advise the appropriate fleet manager and union official respectively.

5.5. If no agreement is reached at management/union level; it shall be referred to a mutually agreed facilitator (which may include Fair Work Australia (FWA)) for conciliation or determination if agreed.

5.6. The agreed facilitator will be named in each enterprise agreement and will remain so for the term of that agreement.

5.7. The above steps shall not preclude the right of either party to refer a dispute to FWA at any time provided that this shall not occur if the parties have already commenced proceedings before an agreed facilitator in accordance with 5.5 prior to commencing the process outlined in 5.7.

5.8. Pending the completion of the procedure set out in this clause work shall continue without interruption. No party shall engage in provocative action and pending the resolution of the dispute the status quo shall apply. The rights of individuals or parties shall not be prejudiced by the fact that work has continued under this procedure normally and without interruption.

5.9. In respect of disputes during the EA bargaining process the process outlined in FWA legislation will apply with the emphasis on conciliation being the agreed form of resolving disputed matters.

5.10. Replacements for current Enterprise Agreements are to be conducted by a single bargaining unit (SBU).

6. SUPERANNUATION

6.1. Government mandated increases in employer contributions to superannuation from 9% to 12% do not apply to employers making a contribution in excess of 12%.

7. MERIT BASED EMPLOYMENT

7.1. The parties agree on the importance of recruiting employees suited to the seafaring role and on the responsibility of the employer to recruit, retain and promote employees in accordance with the requirements of the enterprise.

8. CREWING LEVELS

8.1. The parties agree that, consistent with a process of continuous improvement that has delivered significantly reduced crew levels over time, improved crew skills, improved ship technology may provide opportunities to further review crew levels on Australian coastal trading ships.

8.2. The parties agree to consider, on a case by case basis, the crewing requirements of each ship in an operator's fleet to determine what scope there is to revise or restructure current operational manning.

Maritime

8.3. If no agreement is reached it may be referred by either party to the agreed facilitator for conciliation or determination.

8.4. Operational crewing is differentiated from minimum safe crewing requirements under IMO Guidelines.

9. CREW TO BERTH RATIO

9.1. The parties agree that a crew to berth ratio of 2:1 (two persons per berth) or less is generally a desirable outcome and could provide efficiencies in scheduling vessel usage, maintaining consistency of crew and rostering arrangements and ensures a lesser reliance on casual labour to cover the difference when the crew to berth ratio is greater than 2:1.

9.2. The parties accept there may be some circumstances as determined by the ship operator when a ratio of 2:1 is not maintained and additional seafarers of a particular rank are carried, but such occurrences are to be determined by the operator in accordance with the operational needs of the vessel.

9.3 The parties agree therefore that the crew to berth ratio form part of each new EBA negotiation, subject to recognition that in most cases additional leave has been previously agreed through wage trade offs.

10. SEAFARERS WORKERS COMPENSATION

10.1. The parties agree that the *Seafarers Rehabilitation and Compensation Act 1993* requires amendment to provide for the reintroduction of a role of P&I Clubs to help reduce workers' compensation premium costs.

10.2. The parties acknowledge that this must be achieved in a way which addresses the long tail claims in the Seacare scheme, will not diminish access to the current range of compensation benefits and will not disadvantage any employee with an existing accepted claim under the existing statutory provisions.

10.3. The parties agree that other reforms to improve the Seacare compensation scheme should be addressed through Seacare strategic reviews and or through the Government's OHS/workers compensation harmonisation process.

10.4. The parties agree to continue to work with the Seacare Authority and AMSA (the OHS Inspectorate) on strategies to eliminate fatalities and to decrease injuries aimed at achieving a shipping industry safety performance that equates to the national average or better on key performance measures in the annual National Comparative Performance Monitoring Report.

11. WORKFORCE PLANNING, SKILLS AND TRAINING

11.1. The parties agree to continue to work constructively with the maritime training system to improve the quality of, and efficiency in, the current training system for Australian seafarers.

11.2. In addition every area of potential efficiency improvement ought to be considered with a view to increasing the supply of qualified and certificated seafarers in accordance with demand requirements determined by agreed workforce planning and to reducing the unit cost of training.

11.3. The parties agree to participate in the Government's consideration of the recommendations of the Maritime

Workforce Development Forum (MWDF) and to implement any agreed recommendations.

11.4. The training levels that are determined as a result of the MWDF will need to be appropriately apportioned across the entire maritime industry.

11.5. The shipowners to whom this Compact applies commit to undertaking their proportionate share of that overall training requirement.

11.7. The parties agree to work together with Government and other training stakeholders to ensure that a maritime workforce planning capability is developed and implemented.

11.8. The parties commit to removing impediments or barriers to the implementation of skill enhancement particularly those, which improve pathways for employee entry and career advancement, including having regard to recruiting sufficient trainees who have the education levels or potential to achieve the academic levels required to progress to Watch-Keeper.

12. MAINTENANCE RIDING GANGS

12.1. The parties agree that the use of riding maintenance gangs to undertake fabric maintenance is an important measure that can extend dry docking cycles and ensure ships are maintained to high standards, effectively extending their working life.

12.2 The parties agree on the following principles for the use of riding gangs for fabric maintenance, which can be negotiated, on a ship by ship basis:

12.2.1. Foreign resident riding gangs can be engaged on trading ships involved in international trade and on ships in triangulation trades, provided, in the case of triangulation trades, that those riding gangs are only on the Australian coast for limited number of days (to be negotiated on a case by case basis) in any maintenance cycle and that foreign national riding gang employees are covered by an International Transport Workers' Federation (ITF) approved industrial agreement.

12.2.2. Australian resident fabric maintenance riding gangs can be engaged on Australian coastal vessels provided they are covered by an enterprise agreement (should employees elect to be engaged under such an agreement) underpinned by an appropriate modernised Award.

12.2.3. Riding gangs are not a substitute for agreed operational crewing levels aboard vessels.

LABOUR RELATIONS AND EMPLOYMENT ARRANGEMENTS FOR AISR VESSELS

13.1. The parties agree that wage rates and conditions of non-national seafarers on ships on the Australian International Shipping Register (AISR) that are engaged in international trade must be comparable to those of seafarers engaged on ITF Total Crew Cost (TCC) agreements to ensure the international competitiveness of such ships.

13.2. To achieve this outcome, the parties agree that the labour relations legislative framework that applies to such vessels will need to provide for the following:

13.2.1. A single bargaining unit (SBU).

13.2.2. An industrial agreement covering all seafarers on a ship under the AISR that includes pay rates and employment conditions comparable with ITFTCC Uniform agreements.

13.2.3. Recognition of the rights of domestic maritime officer unions to negotiate enforceable enterprise agreements on behalf of their Australian resident members, consistent with the AISR legislation

13.2.4. Australian collective agreements applying to seafarers employed in Australian positions on AISR vessels will be consistent with collectively bargained enterprise agreements for a Bluewater classification including coverage by the *Seafarers Rehabilitation and Compensation Act 1993*, or equivalent coverage.

13.2.5. That negotiated enterprise agreements apply worldwide.

13.3. The parties acknowledge the desirability of engagement and training of Ratings from regional nations for the crewing of ships on the AISR as part of the development of a regional seafarer labour market and a maritime cluster in Australia.

SIGNED

This Compact is made this ……..day of…… 2012

For the Maritime Union of Australia

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Padraig Crumlin **Witness**

National Secretary **Name of Witness**

For the Australian Maritime Officer Union of Australia

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Frederick Ross **Witness**

On Behalf of AMOU Executive Council **Name of Witness**

For the Bluewater Employers of Australian Shipowners Association

. . . . . .

Teresa Lloyd **Witness**

Executive Director **Name of Witness**
