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The Gillard Labor Government's plan to revitalise Australia's shipping industry Address to MUA Sydney Branch Conference Cyprus Club, Sydney

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Introduction

The vision of the Gillard Government is a strong economy - and opportunity for all.

Underlying those words is a massive responsibility to progress reform so that our economy stays strong and can meet the challenges of the future.

So that all Australians can prosper.

The shipping reforms that I announced during the recent election are part of that commitment to a stronger, more prosperous nation.

Many of you here today have been part of that reform process and I thank you for that.

In 2008 I asked the Parliamentary Committee on Infrastructure, Transport, Regional Development and Local Government to inquire into coastal shipping and advise on ways of making it more competitive and sustainable.

The committee issued a unanimous report in October 2008 to revitalise Australian shipping...

...and in February 2009 I formed an advisory group of industry leaders to help us work out how to implement that report.

I want to recognise the work of the people who helped with this process...

...the MUA and the other maritime unions, ANL, Rio Tinto, Teekay Shipping, Jebsens, the National Farmers Federation, ASP Ship Management, the North West Shelf Shipping Company and Cement Australia.

The Need for Reform

The Gillard Government knows that not only does national shipping create jobs, it is also vital for our environment and security.

Australia is the largest island nation in the world.

We are surrounded by vast oceans and almost all our major cities nestle into our coast line.

Our ports manage ten percent of the world's sea trade.

In 2008 this amounted to 834 million tonnes of international cargo entering and leaving Australia in over 4,000 ships.

A further 52 million tonnes of cargo was moved between Australian ports.

The ACCC predicted recently that demand at our ports is forecast to triple over the next 20 years.

And even though ships carry 99 percent of the total volume of Australia's trade, less than half of one percent of this is carried by our own ships.

It makes no sense at all for Australian trading to take place almost entirely in the hulls of foreign ships.

So how did this happen?

In 1999, John Anderson, then Leader of the Nationals and the Commonwealth's Transport Minister declared that "Australia is a shipper, not a shipping nation".

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The Howard Government reinforced this philosophy by abandoning Capital Grants Assistance, accelerated depreciation and the PAYE rebate scheme.

At the same time, it handed out coastal trading permits to foreign-flagged and crewed vessels very readily...

...in 1999 there were less than 1,000 foreign flagged ships.

By 2008, there were more than three thousand.

Meanwhile, the number of Australian major trading ships fell from 55 when the Howard Government came to office to 30 today.

And the deadweight tonnage of the Australian operated trading fleet fell from 3.2 million tonnes in 1995 to little more than half that figure today.

With an average age of more than 20 years, without action to arrest this decline, Australia's industry will lose the critical mass needed to function.

And with it would go our remaining 1,700 seafaring jobs...

...the core maritime expertise that this country will need into the future

So while advanced nations such as Germany, the UK, France, Netherlands, Japan and South Korea were all embarking on extensive and successful programs to rebuild their shipping industries, ours was in freefall.

The Howard Government's attitude was profoundly short-sighted.

It saw no national benefits to having a maritime capacity.

The Gillard Government believes there are sound economic, environmental and security reasons to revitalise the Australian shipping industry.

Economic Impacts

Let's look at the economic reasons to rebuild Australian shipping.

We need to become participants, not just customers.

Giving our exporters opportunities to establish in-house shipping operations or to enter long term arrangements with Australian shipping companies offers them stable supply chains.

Critical to Australia's economic performance is the efficient running of our ports.

And port efficiency depends upon a skilled workforce drawn from those with seagoing qualifications - port operators, harbour masters, pilots, loading masters and people with high value services like marine insurance, finance and law.

Highly skilled people such as these make sure the right ship gets to the right place at the right time for the right price.

So, a bigger Australian industry means a bigger workforce – and a bigger pool of shipping professionals to support our entire maritime sector.

Right now, with the industry so limited, more senior seafarers leave the industry for land based jobs that value their experience and talents.

We need to train the next generation of seafarers, giving cadets crucial 'sea time' aboard operating ships.

Ship Safety and Marine Environment Protection

There are also sensible environmental reasons.

Our pristine reefs and coastlines are ecological showpieces and international tourist magnets.

They deserve our protection.

As Australia's trade grows so will the number of ships travelling around our coast and through environmentally sensitive areas such as the Great Barrier Reef.

Australia imposes high safety standards on ships to protect our environment.

Our laws allow regulators to enforce those standards.

But we have far more limited power over foreign ships.

This is particularly so, with many international ships flagged in open registry countries such as Liberia and Panama.

There have been two major incidents involving foreign flagged ships over the last 18 months - the Pacific Adventurer oil spill and the Shen Neng 1 – both in Queensland coastal waters.

Both attracted significant media and public attention...

...and there were even calls to ban shipping from the Great Barrier Reef.

The Government does not support such a ban but we do want higher standards.

Australia is an active participant in the International Maritime Organisation...

...and we are currently seeking support there to lift the liability limit for damages from bunker oil spills.

There's another good environmental benefit to a stronger Australian shipping sector.

Shipping is a cleaner form of transportation and, on a tonne per kilometre basis, is the lowest carbon emitting transport mode.

Increasing the use of our 'blue highway' to transport goods between Australia's big cities helps keep trucks off our roads and our national carbon output down.

Security

A maritime capacity is important for our security.

There is a mutually beneficial relationship between the nation's merchant maritime and naval capacity.

In 2008 we expanded career opportunities for naval officers and civilian merchant mariners by ensuring the Australian Maritime Safety Authority and the Royal Australian Navy recognised each other's qualifications.

A stronger maritime civilian skills base will complement government efforts to swell the ADF's maritime workforce.

Shipping Reform

So there are strong economic, environmental and security reasons to revitalise Australian shipping.

But how are we going to go about it?

The first thing to say is that international shipping is globalised and highly competitive.

Shipping operators maximise their competitive edge by registering with countries that provide competitive policy settings.

Under our plan, Australian businesses will be able to invest in Australian registered ships using a model which has proved successful in other countries.

As a Government, we are determined to remove the disincentives that have made it uneconomic to operate Australian ships in a global environment.

Fiscal Measures

There will be several fiscal reforms that this industry has long called for.

Australian companies that operate Australian registered trading ships above 500 tons would be able to elect to pay tonnage tax, attracting tax liability on income from trading activities based on the tonnage of the ship.

This is good for ship operators because it will mean lower, more predictable taxes.

In return, businesses will need to agree to train new entrants to the industry.

We will finalise these details in consultation with industry.

Alternatively, companies could choose to accelerate depreciation within the existing corporate tax structure by allowing them to depreciate ships over a 10 year life.

These fiscal measures have been successfully applied in the UK, the EU and the USA and will encourage Australian companies to update their ageing fleet to modern and more efficient vessels.

Unlike many countries, the Australian Government provides no personal income tax relief for international seafarers.

Australians on international vessels must either accept lower salaries or attempt to negotiate higher rates than seafarers sourced from other countries.

This places Australian seafarers, and those who employ them, at a competitive disadvantage.

In order to overcome this and to encourage Australian-based international seafarers to stay with our industry, such workers will be taxed according to the number of days spent on a qualifying vessel.

This will bring Australian international seafarers in line with those of other countries.

And where a vessel is leased under bareboat charter to an Australian company, the Gillard Government will consider granting its owners an exemption from the payment of Royalty Withholding Tax.

Industry has argued that taxing lease payments for bareboat charters – which are chartered without a crew - but not time charters, which are typically chartered with foreign crews - has created an uneven playing field.

International Shipping

We will be setting up an Australian International Register of ships operated by Australian companies, to assess which are eligible for the new arrangements.

Under the register, the master and chief engineer must be Australian residents while the balance of the crew may be foreign residents paid at internationally competitive terms and conditions of employment.

This register will make it possible for Australian companies to run competitive international shipping operations with Australian ships.

Ships on the register must be Australian-operated and controlled and used for international trading.

Coastal Shipping

Coastal trading is a part of our domestic transport sector and wherever possible should be undertaken by Australian operated companies and crewed by Australian workers, just as it is with road, rail and aviation.

The Government will retain the capacity to utilise foreign flagged and crewed vessels to supplement the Australian fleet.

The Government will work closely with industry in establishing how the new regulations will operate.

Training Reforms

With a revitalised shipping industry will come a demand for more trained seafarers.

I am asking industry, unions and education providers to consider ways to improve maritime skills development and training.

The Government will do its bit by improving access under our education funding programs in both the higher and vocational education sectors.

Incentives now available for trainee seafarers will be more widely promoted and training providers will be encouraged to help with this.

We need to modernise our thinking here by considering part time work, and the recruitment of older workers.

Labour Productivity Reform

The final leg of the reform agenda is labour productivity.

We are committed to aligning Australian productivity practices with the best in the world.

To do this, we will need a compact between industry and unions.

This compact must include changes to work practices, a review of safe manning levels and the use of riding gangs on coastal vessels.

This compact is essential to the reform agenda.

These reforms will revitalise the Australian shipping industry.

Our ships will be more competitive.

They will be able to diversify internationally.

Our maritime workforce will grow to service our future needs.

And there will be considerable environmental, defence and security benefits.

The Way Forward

Today I am releasing a discussion paper and will be seeking comments on it by the end of January 2011.

I am establishing three reference groups to advise on key elements of the reforms.

- The first group will look at taxation.
- The second will tackle the workplace – expanding the workforce including skills and training, and labour productivity.
- While the third group will look at the new regulatory arrangements – such as permits, the creation of an international shipping register, legislative changes and alignment of these reforms with a new National Maritime Regulator.

I will be inviting members of the sector including industry and unions with relevant skills to become part of these reference groups and I'll be writing to them soon.

They'll start working in January and will be asked to complete their work by the end of

May.

The sector will be offered the opportunity to see the draft legislation before it is finalised.

The Broader Shipping Industry Reform Agenda

Of course, the Gillard Government's reforms to the maritime sector don't stop there.

We are working with all States and Territories to replace eight domestic maritime safety jurisdictions with one.

This will greatly decrease the burden of red tape, increase regulatory confidence, remove inconsistency in the law applying to Australian commercial vessels and streamline new maritime safety plans.

By 2013 Australia will have one maritime safety regulator – the Australian Maritime Safety Authority - and one law - Commonwealth law - applying to all commercial vessels in Australian waters.

The Australian Transport Council that I chair recently agreed on the legal and administrative structure to underpin the new system.

My Department and AMSA currently are working with state and territory governments on the details.

Last year I also announced we'd be rewriting the Navigation Act 1912 to provide contemporary and robust regulation for maritime safety.

The Act is outdated and requires modernisation to better reflect current regulatory policies.

It also needs to be more flexible to respond to changes in national and international safety standards and to introduce a new penalty and enforcement regime.

The Act will also need to reflect the Commonwealth's role as safety regulator of all commercial vessels in Australian waters.

We are aiming to have the new legislation finalised by the middle of next year.

Conclusion

I am under no illusion that there is a lot of work to be done over the coming months.

These reforms to Australian shipping, particularly when tied to a raft of improvements at our ports, will stop the drift and failure that beset the industry under the Howard years.

They will create a platform for rejuvenation with enormous potential for new jobs, opportunity and prosperity that will benefit the whole of this island nation.

Thank you.

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