

# Shipping and Maritime Policy

Shipping is a vital component of national transport infrastructure.

1. The Australian shipping and maritime industries must be viewed as vital components of national transport infrastructure, integrated with the functionality, productivity and efficiency of other industries such as manufacturing, agriculture/aquaculture, construction, resources, energy and tourism.
2. Ten per cent of the world's sea trade passes through Australian ports and Australia relies on sea transport for 99 per cent of its international trade (by volume).<sup>1</sup> In 2020–21, the value of Australia's maritime exports was \$354.8 billion, while Australia's maritime imports were valued at \$246.6 billion. This involved 30,613 ship port visits by some 6,300 individual ships.
3. Australia is the largest iron ore exporter with 57 per cent of the world market, the second largest coal exporter with 30 per cent of the global market, the second largest exporter of LNG and the eighth largest grain exporter with 4 per cent of the world market. Globally, Australia is the fourth largest user of ships.<sup>2</sup>
4. Ships and the ports they use are critical components of the supply chains that support other wealth generating industries. Ships are critical to the import and export supply chains for all facets of manufacturing, resources and energy including refined petroleum products, agriculture, aquaculture, fishing, tourism (including the growing marine tourism and cruise sectors), wholesale and retail distribution, and construction; and increasingly the offshore oil and gas facility decommissioning function.
5. Bulk commodity ships and other trading ships used in these supply chains create demand for a range of other marine services including towage, pilotage, bunkering (refuelling), mooring, waste removal, provisioning, firefighting, salvage and marine rescue as well as requiring port services and stevedoring services. Ships perform vital supply and support roles to the offshore oil and gas production sector and will perform and will perform critical roles in the construction, operation and maintenance of offshore wind energy projects in the coming years.

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<sup>1</sup> Bureau of Infrastructure and Transport Research Economics (BITRE), *Australian Sea Freight 2020-21*, <https://www.bitre.gov.au/sites/default/files/documents/Australian%20Sea%20Freight%202020-21.pdf>

<sup>2</sup> United Nations Conference on Trade and Development (UNCTAD), *Review of Maritime Transport 2019*, [https://unctad.org/en/Publications\\_Library/rmt2019\\_en.pdf](https://unctad.org/en/Publications_Library/rmt2019_en.pdf). Note that the Report of the Senate Rural and Regional Affairs and Transport References Committee *Inquiry into Policy, regulatory, taxation, administrative and funding priorities for Australian shipping* says at Para 1.33 that Australia is the fifth largest user of shipping

6. Australian merchant shipping and the crewing of Defence Support, Australian Border Force, Antarctic supply, CSIRO research and AMSA emergency towage vessels form an integral part of the nation's Defence and maritime security needs.

## Australia is overly dependent on foreign ships

7. Australia is overly dependent on foreign ships for its sea transportation and maritime support needs. There is a fundamental incompatibility between the excessive use of foreign ships with foreign crews on Temporary Licences in coastal trading and the need to build supply chain security and resilience. There is an urgent need for the nation to mitigate its dependency on foreign shipping in both domestic and international trades. Once the four North West Shelf project LNG tankers are removed from service in 2024, Australia will be effectively 99.5% dependent on foreign shipping for international trade.
8. Foreign shipping cartels protected by Part X of the *Competition and Consumer Act 2010* are price gouging in the Australian container freight market. Foreign shipowners/operators/charterers are exploiting flaws in the *Coastal Trading (Revitalising Australian Shipping) Act 2012* (Coastal Trading Act) to eliminate Australian flagged ships and employment of Australian seafarers in the domestic freight market. Migration laws operate to facilitate the use of non-national seafarers in domestic shipping at the expense of national seafarers. Australian taxation and customs laws applying to ships favour foreign shipowners and foreign corporations. The *Shipping Registration Act 1981* does not provide sufficient support for the registration in Australia of vessels that are regularly or continuously operating in Australian domestic industries. Australian ship procurement policy provides no support for Australian merchant shipbuilding nor favours use of Australian ships in the transportation elements of government procurement and transportation of goods.
9. No government subsidies or industrial policy support is provided to Australian shipping, unlike the road and rail sector. The domestic freight market is not a level playing field. This distorts modal choice and disadvantages Australian shipping. This was a key finding by the Senate Inquiry into shipping, which found that "... there is an uneven playing field, due to government subsidisation of road and rail transport, which disadvantages coastal shipping as a viable alternative. This is further compounded by the fact that, as indicated by the ACCC, heavy vehicles may not be paying an appropriate price for the use of Australian roads, and that there are increasing charges at Australian ports."<sup>3</sup>
10. The continued decline in Australian based maritime economic activity puts at risk Australia's sovereign industrial capability and threatens supply chain security and resilience. It undermines the maritime skills base of an island nation so dependent on sea transportation and a highly skilled maritime workforce for the many marine and logistics services that support sea transportation, so necessary for the nation's

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<sup>3</sup> Report of the Senate Rural and Regional Affairs and Transport References Committee Inquiry into Policy, regulatory, taxation, administrative and funding priorities for Australian shipping, December 2020, Para 3.80, P51, [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024290/toc\\_pdf/Policy.regulatory.taxation.administrativeandfundingprioritiesforAustralianshipping.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024290/toc_pdf/Policy.regulatory.taxation.administrativeandfundingprioritiesforAustralianshipping.pdf;fileType=application%2Fpdf)

economic welfare. It diminishes our Defence and Naval capability, maritime security and emergency response provision.

11. Any future disruptive event such as a cyber security attack, another pandemic, natural disaster or a geopolitical conflict that impedes foreign ship availability could impact severely on supply chain resilience and capability and quickly bring the economy to a standstill, including civilian food supply, manufacturing, refined petroleum products and other production, health sector supplies, household essentials and Defence capability. Transitioning away from foreign ship dependency must be a high national strategic priority.
12. The key threats to the nation if policy, regulatory, fiscal, funding and institutional adjustments are not made to support Australian ships in the absence of a coordinated shipping policy response, are:
  - a. That Australia will lose its entire merchant trading fleet, increasing its dependency on foreign-owned and controlled ships for supply of fuels for Defence, industry and citizens; for the export of mining and energy resources and primary agricultural outputs that sustain the Australian economy; and for importation of inputs to production and finished goods. A single disruption to foreign ship supply in the event of a conflict in the Asia Pacific region or another pandemic that crippled international ship availability would have immediate and catastrophic consequences for the Australian economy;
  - b. The downward spiral in the number of Australian trading ships operating under medium to long term contracts of affreightment (COA) to service the manufacturing and agricultural industries has consequentially increased our reliance on the spot shipping market. This means Australia will lose complete control of ship scheduling and opportunities to create efficiencies in coastal trading through the use of a balanced mix of Australian ships and foreign ships with a Temporary Licence as was intended by the Coastal Trading Act when introduced in 2012. The CT Act was intended to create opportunities to smooth out freight rates and utilise triangulation and cargo aggregation to reduce ballast legs, which keeps freight rates lower;
  - c. That the maritime skills base will reach unsustainable levels. Maritime skills are necessary for a maritime dependent island nation with a strong demand for maritime skills in shipping related services like towage, pilotage, mooring, bunkering and harbourmaster; and in onshore roles in ship regulation, safety, training, freight forwarding, marine insurance, marine chartering, ship financing etc; along with the capacity to support Navy alternative crewing models, essential for merchant navy support for the Defence Forces;
  - d. Mainstreaming the use of non-national seafarers in routine coastal trading, who enter and remain for up to 3 years in Australia under a Maritime Crew Visa is the largest single threat to Australia's border protection regime, and also places unnecessary pressure on Australia's biosecurity regime;
  - e. That Australia's greenhouse gas and particulate emissions targets will be more difficult to achieve if it loses control of the regulation of all coastal trading ships as will be the case if the entire merchant fleet is lost and replaced with foreign ships, invariably flag of convenience (FOC) ships operating from registries that have considerably less regard for environmental standards; and

- f. That Australia's ability to protect its coastal, ocean and marine environments will be diminished in the event that all coastal trading is undertaken by foreign ships, whose registries do not adopt the same standards of ship safety, crew skills and qualifications to ensure that those ships meet Australia's stricter marine pollution standards.

## Emerging opportunities for Australian ships

13. Equally, the national shipping and maritime industry policy framework is not geared to take advantage of emerging sea transportation opportunities that could provide a role for more Australian ships. Those opportunities are arising from industrial transformation, being driven largely by renewable energy policy, new technologies such as automation and digitalisation, and from business development in areas such as expedition cruise shipping, aquaculture and bunkering of alternative marine propulsion fuels. Simultaneously, Australia is responding to industrial restructuring driven by globalisation, such as a decline in oil refining capacity in Australia, necessitating much higher levels of seaborne imports of refined petroleum products.
14. The emerging industrial transformation trajectory in Australia could see a renaissance of shipping over the next several decades. A shipping renaissance is possible (or likely) for these reasons.
15. First, the likely increased demand for ships as Australia restores its manufacturing capability. According to experts like Professor Ross Garnaut,<sup>4</sup> Australia's international competitiveness in electricity supply will strengthen as all nations move away from use of fossil fuel in electricity supply. This is because fossil-based energy can be imported relatively cheaply by countries with poor energy resources (like Japan), but renewable energy is not as readily transportable for both technical and cost reasons.
16. If key industrial processes such as the production of steel, aluminium, silicon, ammonia and lithium (where Australia is already an exporter) can all transition away from fossil energy to use of renewable energy, Australia can potentially become a major metals and chemicals processing nation (rather than an ores/fossil fuel exporting nation) based on industrial production using electricity produced from renewable energy, where we have an abundance of supply at internationally competitive prices.
17. This eventuality will substantially increase the demand for ships – to transport the raw material inputs (like iron ore, bauxite and other minerals/rare earths) to domestic processing plants (cabotage trade) and to deliver the processed or semi-processed products to international markets (international trade). The energy transition is also creating other opportunities for ships – in energy production itself, such as offshore wind energy production and in transportation of renewable gas such as green hydrogen<sup>7</sup>.
18. Second, shippers, governments, port operators and policy analysts are regaining an interest in the shipping mode based on modal advantages of shipping such as ship's reduced energy intensity and emissions advantage relative to other transport modes, their freight cost advantages over certain distances, improved stevedoring productivity resulting in lower stevedoring unit costs and the option of containerisation of a wider range of cargoes.

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<sup>4</sup> See Ross Garnaut's book entitled *Superpower: Australia's Low Carbon Opportunity*, La Trobe University Press, 2019

19. This opportunity will be facilitated by global and regional shipping strategy developments that are coming into alignment, particularly the renewed interest in short sea shipping that provides the feeder services to a global container hub and spokes configuration favoured by international liner service operators.
20. Third, economic and national security policy experts and opinion leaders are beginning to recognise the role that Australian ships need to play in energy security, in border security and for better integration of merchant or commercial shipping to complement the Defence Force's maritime sea lift capability and sea lane protection requirements.
21. Fourth, the emergence of a national dialogue on the important, but till recently unrecognised role that ships play in national emergencies, demonstrated through the 2019-2020 climate induced bushfire crisis, and increased flooding events, destroying road and rail links to vulnerable communities.
22. The potential to build a green steel export industry, to retrofit aluminium smelters to create a revival of aluminium production, to take advantage of Australia's abundant lithium and other rare earths to develop new sustainable industries, to lead on production of green hydrogen and other renewable fuels like ammonia and biofuels – requiring sea freight transportation of inputs to production and finished and semi-finished outputs, both domestically and internationally, needs to be incorporated in contemporary shipping and maritime policy.
23. There are no natural hydrogen deposits on earth. It must be extracted from other compounds by a chemical process. Most industrial hydrogen is currently produced from natural gas through a process known as steam methane reforming or SMR. Producing hydrogen in this way is sometimes referred to as brown or grey or even blue hydrogen. Hydrogen can also be produced by the electrolysis of water (using an electric current to break water, H<sub>2</sub>O, into its component elements of hydrogen and oxygen). If this electric current is produced by a renewable source (e.g. Solar PV or a wind turbine), the clean hydrogen produced is known as green hydrogen.

## Shipping requires industry policy support – the establishment of a strategic shipping fleet is a welcome first step

24. The shipping industry requires only modest levels of industry policy support to help transition the industry to a position of greater Australian content (and reduced dependency on foreign ships) aimed at increasing supply chain resilience and improving national security. This is also necessary to help level the playing field to promote genuine modal competition. That means industry policy financial support as well as regulatory and taxation support. While the 2012 maritime reform package included taxation incentives to support shipping, they have not delivered their intended outcome and need to be adjusted. Singapore for example, introduced zero taxation for maritime company earnings and has reaped the investment benefit while rendering Australian shipping uncompetitive in a globalised shipping market.
25. Labor's 2022 election commitment to establish a national strategic shipping fleet is welcomed by the ACTU and its maritime union affiliates. The ACTU acknowledges the Government's 2023 response to

its Strategic Fleet Taskforce recommendations and urges the Government to fully implement those recommendations. To fully implement the Strategic Fleet Taskforce recommendations the ACTU urges the Australian Government to:

26. Expeditiously procure all 12 strategic fleet ships before the next Federal election;
27. Amend shipping, navigation, workplace relations, taxation and customs legislation to support the strategic fleet and ensure the strategic fleet is durable and sustainable over the long term;
28. Amend the Shipping Registration Act to require all foreign registered vessels operating continuously in Australia for a period exceeding three months to transfer registration to the Australian General Shipping Register (AGSR), necessitating complementary reform to the Coastal Trading Act.
29. Legislate the establishment of a strategic fleet levy on all vessel arrivals in Australian ports to provide assistance to sustain a strategic fleet to ensure freight rates remain competitive; and
30. Legislate the establishment of a training levy payable by all users of Australian seafarers on board and onshore to ensure that the demand for and supply of seafarers remains in equilibrium over the long term.
31. The ACTU urges all the States and Territories to adopt shipping, seafarer employment and training policies that complement the Commonwealth's strategic fleet policy, similar to that adopted by the Queensland Government in implementing its *Backing Queensland Maritime Jobs* policy. The ACTU welcomes the work of the WA Government's Shipping and Supply Chain Taskforce. The ACTU urges the Jobs and Skills Council for the transport and logistics sector, Industry Skills Australia, to coordinate its state/NT counterpart training advisory bodies to work with State/NT VET agencies to ensure that all STCW<sup>5</sup> courses delivered by RTOs have access to TAFE fee free places and all other Commonwealth and State/NT assistance measures to facilitate the supply of seafarers to match demand.

## Complementary policy required

32. Congress calls on Australian governments, federal and state to take additional steps to support Australian shipping by:
  - a. Restoring a balanced system of maritime cabotage – a level transport playing field so Australian ships and seafarers can fairly compete in the globalised shipping market.
  - b. Supporting a short-sea shipping model for Australia. That the Australian Government acknowledge that short sea shipping is a model well suited to Australia given its global trade route location and long coastline, particularly if new ship and port technologies are adopted and aimed at minimising the time that ships are not sailing (and not earning revenue) as well as integrating with the hubbing model whereby key Australian and regional ports become transshipment ports, requiring feeder services to and from all other ports, necessitating short sea shipping.

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<sup>5</sup> IMO, International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), 1978

- c. Improving shipping taxation incentives to incentivise investment in Australian ships. That the Australian Government reform shipping taxation incentives as a critical support measure to stimulate investment in new Australian ships and bareboat ship charters that will be necessary to implement a new national shipping policy.,
- d. Reforming the maritime crew visa system. Reforming the maritime crew visa system will create employment opportunities for Australian nationals in the maritime industry, while improving the security of the existing Maritime Crew (Subclass 988) visa (MCV). This requires amendment to the Migration Regulations 1994.
- e. Making consequential amendments to the Customs Act 1901 (Customs Act) and the Coastal Trading (Revitalising Australian Shipping) Act 2012 (Coastal Trading Act) to ensure Customs arrangement for determining the importation status of vessels is working in harmony with the Coastal Trading Act and Fair Work Act/Fair Work Regulations.
- f. Reforming maritime safety law – To restore an appropriate balance between ships that are covered by the Navigation Act 2012 (Navigation Act) and ships covered by the Marine Safety (Domestic Commercial Vessel) National Law Act 2012 (National Law Act).
- g. Reforming the *Seafarers Safety, Rehabilitation and Compensation Act 1992* to ensure comprehensive national coverage of seafarers working in Australian waters, to reduce the costs of workers' compensation for employers of seafarers and provide a contemporary return to work system suitable to the shipping industry.
- h. Reforming regulations to regulate the cruise/passenger sector and to protect the domestic expedition cruise sector.
- i. Strengthening international shipping regulation, by reforming and expanding Part X ( which regulates international liner shipping of cargo to and from Australia) i in the Competition and Consumer Act 2010,
- j. Improving seafarer rights and ensuring the Fair Work Ombudsman is able to perform its compliance and enforcement role in shipping.
- k. Reform the Australian Jobs Act 2013 to ensure that a fair share of the transportation services for the carriage of minerals, resources and energy products to export markets are delivered in ships operated by Australian entities that employ Australian seafarers.
- l. Review the National Freight and Supply Chain Strategy and associated Action Plans so it enhances the role of Australian shipping in domestic and international freight supply chains.
- m. Review the National Ports Strategy - That the Transport and Infrastructure Ministerial Council oversea a review the National Ports Strategy 2011, one objective being to ensure there is overall policy coordination for port development in Australia, and that the strategy helps guide State and NT initiatives that can facilitate the revitalisation and growth of Australian coastal shipping through better port planning, better port infrastructure and a more tailored fees and charges regime that supports Australian shipping.

- n. Reduce emissions from transport - The ACTU welcomes the Government's Maritime Emissions Reduction National Action Plan (MERNAP), and that the Government involve maritime unions in implementation on MERNAP and that it consider:
- Shifting freight on to ships, and by developing and testing zero-emissions cargo ships in a future Australian Strategic Fleet, including the use of non-fossil fuels.
  - Require ports to provide ships with a shore-based power supply from renewable energy, and ships to shut down their engines when alongside and to plug into that portside power supply (cold-ironing).
  - That the Australian Government ensure that Australia be an early adopter of other ship pollution prevention standards, technology and practice ahead of the International Maritime Organisation (IMO) timetables, such as use of lower sulphur fuels, optimised engines, exhaust after-treatment, selective catalytic reduction (SCR), optimised steaming rates, and improved auxiliary engines.
  - Expedite a review of the Australian heavy vehicle charging regime, which uses a pay-as-you-go (PAYGO) model, to ensure it moves to full cost attribution of road user costs aimed at creating competitive neutrality among all freight modes.
- o. Integrate shipping policy with national industrial policy - That the Australian Government commit to integrate shipping policy into wider industrial policy and strategy, acknowledging that shipping is a vital service supporting other wealth generating industries. Ships are critical to the supply chains for all facets of manufacturing, resources and energy including fuel (ships service every facet of the offshore oil and gas industry, agriculture, aquaculture, fishing, tourism (including the growing marine tourism and cruise sectors), wholesale and retail distribution, and construction, noting that key manufacturing industries such as steel (requiring iron ore and coal), aluminium (requiring bauxite and alumina), petroleum (requiring crude oils and condensates), chemical and explosives production (requiring ammonium nitrate, acids etc), building products (requiring gypsum, mineral sands etc); food processing (requiring sugar, salt, food concentrates), as well as agricultural production (requiring fertiliser, fuels, grain seeds), offshore extractive industries such as oil and gas are reliant on ships for supply of key bulk commodity inputs and distribution of outputs for their efficient operation. Likewise, the emerging offshore wind energy industry requires ships for construction and operations. Accordingly, the Government agree that:
- An industry policy for shipping (just as in rail or road transport) by necessity needs to be integrated with industrial policy for other sectors such as manufacturing, particularly the heavy manufacturing subsectors like aluminium, steel, chemicals, petroleum products, vehicles and vehicle components, shipbuilding, construction materials, as well as mining and mining equipment, energy, agriculture (fertiliser, grains, machinery, livestock), aquaculture, fishing, and tourism and emerging renewable industries such as hydrogen, ammonia and biofuels.
  - Bulk commodity ships and other large trading ships used in these supply chains create demand for a range of other marine services including towage, pilotage, bunkering, waste



removal, provisioning, firefighting, salvage and marine rescue as well as requiring port services and stevedoring services.

- Commercial ships are central to Defence requirements including humanitarian missions, to support border protection, to support national emergency response such as during bushfires and floods and for supplying remote coastal regions and communities.
- Each of these segments of the shipping industry requires appropriate policy, regulatory, administrative and funding support if they are to flourish and create an efficient and functional shipping industry that attracts investment and is integrated with client industries.