



**Australian Shipowners Association**

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## Productivity Commission Inquiry into Tasmania's Shipping Costs and Competitiveness of Tasmania's Freight Industry

Submission by:  
Australian Shipowners Association

Submitted on: 13 December 2013;  
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## 1. Executive Summary

- 1.1. This submission addresses Terms of Reference 1 and 2 of the inquiry scope.
- 1.2. Much of the commentary provided is general in nature regarding the industry structure and has equal relevance to Bass Strait trade.
- 1.3. The Australian Shipowners Association (ASA) is concerned that a review of the shipping industry competitive structure for Bass Strait is being conducted in isolation of the structures that apply nationally, of which Bass Strait is a part.
- 1.4. An important difference between Bass Strait and the general situation for Australian coastal shipping is that there is considerable domestic competition between Australian flagged / General Licence ships for some cargo types across Bass Strait. This is a unique feature for an Australian domestic shipping route.
- 1.5. In recent years several major changes have affected the practicality and efficiency of the movement of coastal cargo by sea.
- 1.6. The *Fair Work Regulations 2009* (FW Regs) require foreign crewed ships that carry coastal cargo to pay a higher wage rate. This higher wage rate is included in the Seagoing Industry Award as Part B.
- 1.7. This requirement applied to voyages under permit<sup>1</sup> and now Temporary Licence.
- 1.8. 'Australian' ships do not become more competitive by making their competitors more expensive.
- 1.9. The *Coastal Trading (Revitalising Australian Shipping) Act 2012* (CT Act) introduced a new way of regulating the granting of permission for foreign ships to carry Australian domestic cargo.
- 1.10. The coastal trading changes are a complex redesign of a system that has been in operation for decades and which during that time has seen many difficulties, inequities and considerable angst across the industry.
- 1.11. The new CT Act does address several fundamental issues / deficiencies of the old system with regard to transparency and processes for appeal. These changes are positive and welcomed.
- 1.12. The CT Act has however resulted in an increase in the administration of the regime. Matters resulting in excessive 'red tape' for no demonstrable benefit should be reviewed to remove onerous and unproductive requirements.
- 1.13. At the same time, efforts were made to level the playing-field between owners and operators of Australian and foreign 'bluewater' ships via the introduction of fiscal/taxation incentives via amendments to the *Income Tax Assessment Act (1997)*.

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<sup>1</sup> under Part VI of the *Navigation Act 1912*, from 1 Jan 2011

- 1.14. The company tax changes offer flexibility in arrangements and overcome some existing impediments regarding the way ship operation and ownership is structured in Australia. They are welcomed by the industry and provide a range of benefits.
- 1.15. We must note however, that the effect of the zero company tax is undermined by the tax treatment of the profits when they are distributed out of the company which results in the measure not providing as much benefit as the shipowners had sought, and is not as competitive as many international regimes.
- 1.16. Australia has fallen short of providing a level playing field in the realm of corporate taxation for shipping.
- 1.17. The Australian shipping industry has been in decline over the past decade or more, largely due to the decline in local manufacturing. The package of measures delivered in June 2012 offers the potential to arrest that decline and indeed see a return in ship numbers to a level that offers longer term sustainability and greater levels of competition within the indigenous industry.
- 1.18. A strong, sustainable local shipping industry offers many benefits including:
  - overall improvement to Australia's economy;
  - improved economic and employment diversity;
  - provision of the skills required for a maritime nation to function; and
  - increased border protection and defence capability.
- 1.19. ASA recommends the following amendments to the shipping related legislation to remove unnecessary administrative and cost burdens and to increase the competitiveness of Australian shipping:
  - 1.19.1. temporary Licence voyages should not be subject to Australian pay rates;
  - 1.19.2. reduce red tape by removing the 5 voyage minimum for Temporary Licence applicants;
  - 1.19.3. introduce an 'express' Temporary Licence in certain circumstances;
  - 1.19.4. General Licences should be available to non-Australian flagged ships if 'Australian'<sup>2</sup> crewed;
  - 1.19.5. introduce deemed franking credits in respect of dividends to resident shareholders; and
  - 1.19.6. introduce a dividend withholding tax exemption in respect of dividends to non-resident shareholders.

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<sup>2</sup> 'Australian' taken to mean a person with permanent Australian work rights and is subject to Australian rates of pay

## 2. Introduction

- 2.1. This submission is made on behalf of the Australian Shipowners Association (ASA). ASA represents Australian companies which own or operate:
- international and domestic trading ships;
  - cruise ships;
  - offshore oil and gas support vessels;
  - domestic towage and salvage tugs;
  - scientific research vessels; and
  - dredges.
- 2.2. ASA also represents employers of Australian and international maritime labour and operators of vessels under Australian and foreign flags.
- 2.3. The trading fleet or 'bluewater' Members of ASA include companies whose primary business is to provide sea transport services to the freight market as well as companies whose shipping operations form an element of their supply chain, hence some of ASA's Members are very large cargo interests.
- 2.4. ASA Members participating in domestic trade utilise the existing regime of General Licenses (GL), Temporary Licenses (TL) and Transitional General Licenses (TGL).
- 2.5. ASA Members are active in dedicated international trades under both Australian and foreign flags.
- 2.6. The Association provides an important focal point for the companies who choose to base their shipping and seafaring employment operations in Australia.
- 2.7. ASA's purpose is to pursue strategic reforms that provide for a sustainable, vibrant and competitive Australian shipping industry and to promote Australian participation in meeting domestic needs for sea transport services and contribution to Australia's international trade to the benefit of Australian shipowners, their customers and the Nation.
- 2.8. ASA's Members are:
- |                                   |                                |
|-----------------------------------|--------------------------------|
| ANL Container Line                | P & O Maritime Services        |
| ASP Ship Management               | PB Towage                      |
| BP Australia                      | Rio Tinto Marine               |
| Caltex Australia Limited          | SeaRoad Shipping               |
| Carnival Australia                | Shell Tankers Australia        |
| EMAS Offshore                     | Sugar Australia                |
| Farstad Shipping (Indian Pacific) | Svitzer Australia              |
| Maersk Supply Service             | Swire Pacific Offshore         |
| Mermaid Marine                    | Teekay Shipping (Australia)    |
| MODEC Management Services         | The Shell Company of Australia |
| Newcastle Port Corporation        | Tidewater Marine               |
| North West Shelf Shipping Service | Toll Marine Logistics          |
| Origin Energy                     |                                |

### 3. Benefits of a strong, sustainable shipping industry

- 3.1. The benefits of a strong, sustainable, local shipping industry are articulated in detail in the ASA Submission to the 2008 House of Representatives Inquiry into Coastal Shipping Policy and Regulation.
- 3.2. Several key benefits are summarised as follows:
  - 3.2.1. Improve Australia's economy via growth in national shipping activity so that we can provide/control our own freight services and the growth of the maritime economic cluster, which would invariably result from a stronger local shipping industry. A recent report by Oxford Economics<sup>3</sup> shows that in the UK in 2011 the total (including the direct and induced impacts) contribution of the shipping industry was £12.5 billion in GDP, 287,000 jobs and £2.8 billion in tax receipts. Further, the impact of the economic cluster that has developed around the UK shipping industry via the establishment of professional and associated services contributed 55,000 jobs, £3.7 billion in GDP and £1.1 billion in tax receipts. The UK industry underwent a program of rejuvenation in 2000 involving the adoption of positive policies on investment, training and the British shipping registry.
  - 3.2.2. Economic diversity is provided not only via direct shipping activities but also via the resultant maritime cluster activities. This includes employment for approximately 40,000 people across the nation<sup>4</sup>.
  - 3.2.3. A complex economy with a broad economic base needs a range of different skills. Similarly, an island nation with considerable export markets is always going to be reliant on shipping for trade and prosperity. The skills provided by the shipping industry are strategic in that they provide the knowhow required for a maritime nation to function - to run Australia's ports and provide safety and environment regulation. Australia's capacity to participate in global trade and protect Australian community standards and interests is reliant upon having professional shipping expertise available to fill strategic roles. Australia would expose itself to great risk if it were to rely solely on immigration to fill those roles. A critical mass of seagoing vessels is required to provide the training opportunity to ensure workforce sustainability across the broader maritime sector.
  - 3.2.4. An Australian presence and capacity "on the water" increases border protection via Merchant Navy linkages with defence and customs. This relates to the ability of the Australian Government to requisition assets when required; access to commercial and logistical shipping expertise and the national security benefits of having Australian presence on the high seas and particularly around the coast.

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<sup>3</sup> Oxford Economics (2012). "The Economic Impact of the UK Maritime Service Sector"

<sup>4</sup> Thompson Clarke Shipping (2002). "Maritime Skills Availability Study"

## 4. Fair Work Regulations 2009

- 4.1. The FW Regs require foreign crewed ships that carry coastal cargo more than twice in 12 months to pay a higher wage rate. This higher wage rate is included in the Seagoing Industry Award (SIA) as Part B.
- 4.2. This requirement applied to voyages under permit<sup>5</sup> and now TL.
- 4.3. This policy initiative involves a complex determination of the shipowner obligations to the foreign nationals crewing the ship and the wages that are to be paid.
- 4.4. It is believed that the intention of this policy initiative was to close the gap in operating costs between Australian and foreign ships (employing Australian and foreign crews respectively).

### Influences on cost structures

- 4.5. Foreign ships operate from a considerably lower cost base than Australian companies are able to. The major elements that make up the cost structure for a shipping company are corporate tax and operating expenses. The major operating expenses are crew costs and fuel.
- 4.6. The crew costs for a foreign ship are generally determined by either the International Labour Organisation (ILO) minimum wage or an International Transport Workers Federation (ITF) Agreement.
- 4.7. The ITF Total Crew Cost Agreement (TCC) is commonly used worldwide and is an appropriate measure for ships visiting Australia.
- 4.8. Part B of the SIA provides lower wages than Part A of the Award, to which any Australian ship would be subject and does not include factors such as leave and other employment conditions. Furthermore, the wages contained in Part A of the Award are substantially lower than the Enterprise Bargaining Award (EBA) rates that exist in the Australian bluewater industry.
- 4.9. A comparison of crew costs for all operating scenarios is provided at Annex A.
- 4.10. Any 'closing of the gap' is so minor as to be inconsequential from an operating expenses point of view.
- 4.11. It is not possible to discern any benefit to Australia from this policy.
- 4.12. This policy has adversely impacted Australia's reputation as a place where shipowners want to visit / provide services to.
- 4.13. It is possible that this policy has contributed to the withdrawal of foreign ships (particularly those on international trades that previously called at Australian ports 'in passing') from some Australian domestic trade routes.
- 4.14. This policy has not assisted the Australian domestic industry in any way.
- 4.15. 'Australian' ships do not become more competitive by making their competitors more expensive.
- 4.16. This policy initiative ought to be reversed.

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<sup>5</sup> under Part VI of the *Navigation Act 1912*, from July 1 Jan 2011

## 5. Coastal Trading

- 5.1. In July 2012 the CT Act was introduced to replace previous provisions provided for in the *Navigation Act 1912* (Nav Act), Part VI.
- 5.2. The differences between the old and new 'cabotage' provisions are frequently overstated and were particularly exaggerated during the parliamentary process that passed the package of legislation in 2011/12.
- 5.3. In many cases, the assertions demonstrated a lack of understanding regarding how the old, Part VI provisions actually worked. A table that was prepared at the time by ASA in response to many of the comments made is provided at Annex 2.
- 5.4. In particular, a report by Deloitte Access Economics (DAE)<sup>4</sup> which claimed a rise in freight rates of 16% was to result from the changes was discredited by the Department of Infrastructure<sup>5</sup> due to assumptions that were incorrectly made and drastically impacted on the results of their fiscal analysis.
- 5.5. To recap the flaw in the DAE report, the analysis was predicated on the assumption that TLs would be phased out within 5 years. This would have the effect of forcing all coastal cargo to be carried by Australian flagged ships.
- 5.6. This is fundamentally not the case. TLs and access to foreign ships to carry coastal cargo is an inherent and essential part of the CT Act, just as it was part of the previous arrangements under the Nav Act.
- 5.7. The misunderstanding in the DAE report and analysis seems to have been between TLs and Transitional General Licenses (TGL).
- 5.8. TGLs are to be phased out within 5 (with extensions possible up to 10) years.
- 5.9. TGLs are ships that were Licensed under the old Nav Act provisions to carry coastal cargoes *and* were fully Australian crewed.
- 5.10. The transition period of 5-10 years is to allow those ships to fulfil their existing contracts, that were entered into in good faith under the laws as they were at the time, and make the necessary arrangements thereafter.
- 5.11. Both the old Nav Act regime and the new CT Act provide a nominal preference for an 'Australian' ship if and when one is available and suitable.
- 5.12. Neither regime compelled an Australian ship to exist.
- 5.13. What is considered 'available' and 'suitable' was at issue under the old Nav Act regime and has been clarified and made more flexible in the new CT Act as explained below.

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<sup>4</sup> Deloitte Access Economics (21012). "Economic impacts of the proposed Shipping Reform Package."

<sup>5</sup> Department of Infrastructure and Transport (2102). Supplementary Submission to House of Representatives Standing Committee on Infrastructure and Communications in relation to Shipping Reforms.

## Tolerances around Available and Suitable

- 5.14. The tolerances regarding cargo volume and loading/unloading dates have been increased (from 10 to 20% and 3 – 5 days respectively), which is in the favour of the foreign ship.
- 5.15. The nature of the shipping industry is such that few voyages ever proceed absolutely as planned in terms of cargo volume and timeframe for loading/discharge.
- 5.16. The tolerances around the specific data that is required to have a TL approved are more generous than under the old permit system. These increases in tolerances should have had the impact of increasing the number of voyages by a TL ship that have 'pre-approval'.
- 5.17. Other issues impacting suitability include ship safety standards, port requirement etc were a feature of the old regime and remain a feature of the new CT Act.

## Commercial Terms

- 5.18. Both regimes contained 'grey' areas where decisions might be made concerning commercial terms and/or the reasonable needs of the shipper.
- 5.19. Decisions made regarding the use of an 'Australian' ship vs a foreign ship on the basis of cost were at issue under the old regime and remain at issue under the new CT Act.
- 5.20. The 'reasonable needs of the shipper' are now written into the Bill as a consideration that the Minister must take into account.
- 5.21. Under the old permit guidelines a 'national interest' test provided for similar consideration to be made.

## Flag

- 5.22. The CT Act has clarified that an 'Australian' ship is a vessel registered in Australia.
- 5.23. The flexibility required to move cargo on non-Australian registered ships has been retained via the temporary licence regime.

## Administration

- 5.24. The *administration* required to utilise foreign flagged ships has changed considerably between the old and new regimes.
- 5.25. The new system has taken some getting used to and most feedback ASA has heard is that it works but there is some room for improvement and simplification.

## Minimum number of voyages

- 5.26. The notion that the application must include a set number of voyages is something that places an unnecessary burden of red tape on applicants and should be amended.
- 5.27. It is recommended that applications for individual voyages be facilitated under a TL.

## Express TL approval

- 5.28. Many cargo types involve the movement of goods for which there are no GL ships of that type.



- 5.29. Where an application for a cargo is for a single voyage and is of the type that it is known there are no Australian ships (i.e. crude oil) a method to expedite approval ought to be available.

### GL ability to conduct voyages

- 5.30. A TL application can only have the voyages approved where all the specific data relating to dates and cargo is provided. Any voyages that are incomplete (be they forecasts with large 'ranges' on some of the required information or where required information is missing) *cannot* be approved as there has been no reasonable opportunity for a GL holder to nominate.
- 5.31. Given the breadth of any one TL application (multiple voyages with multiple ship types carrying multiple cargo types to multiple ports etc) the system whereby a GL holder can contest 'segments' within the application is critical. A segment could be individual voyages (port to port); or individual parcels of cargo. The decision to be taken by the Minister must have regard to the objects of the CT Act and, as provided for in s.34(3), the specifics of the situation including the interests of all the parties involved. Every possible opportunity must be afforded to a GL holder to utilise their vessel in coastal trades.

### Trade Pattern Identification

- 5.32. Consideration of prior use of foreign flagged ships / patterns of use / etc was to be a feature of the new determination process. This was lacking in the previous regime and has long been considered a shortcoming in terms of the Government finding a balance between ensuring shipping services are flexible enough to meet the needs of cargo interests by filling capacity gaps with foreign ships while ensuring Australian ships provide the base load of domestic cargo movements. It is not yet apparent that patterns of use have been a consideration in the determination process.

### Deciding Applications

- 5.33. A range of issues that combined go toward whether the objects of the CT Act and the suitability and availability and shipper needs tests are met must be considered according to s.34 (2) and (3) of the CT Act.
- 5.34. These matters for consideration are clear enough, without being overly prescriptive, to cover the range of issues that all interested parties need to be considered.

### Appeals Process

- 5.35. The increased transparency regarding the process and the introduction of an appeals procedure are both improvements to the previous regime.
- 5.36. Further, aggrieved parties have avenues not expressly set out in here through general administrative law principals of natural justice when contesting a decision made under the CT Act.

## **6. Taxation Settings**

- 6.1. The treatment of shipping income to be exempted from income tax is a significant policy initiative that recognises the global and highly mobile nature of shipowning and ship operating companies.
- 6.2. The intention of the regime is to provide Australian companies with a corporate tax regime that is competitive with the tax treatment of shipping industries available internationally, in order that those businesses remain in Australia thereby building strategic corporate capacity.
- 6.3. Generally speaking the income tax exemption has the effect of deferring the tax payable by companies until the point of distribution of profits. This increases cash flow thus enabling business to reinvest and grow the business and assist securing finance necessary for capital expenditure and re-tonnaging essential services.
- 6.4. The broad range of other tax measures introduced at the same time offer flexibility to shipowners and operators regarding their business structures, capital expenditure/investment and operating costs.
- 6.5. The tax structure that has been developed is, however, less generous than other structures available internationally due to the tax treatment of the profits when they are distributed out of the company. The benefit to the shipowning and operating community, and indeed the Australian economy would have been greater had a more attractive regime been developed.
- 6.6. Amendments to the taxation treatment at the point of distribution of profits would provide more of a level playing field for Australian shipowners vs foreign shipowners.

## **7. International Shipping Services**

- 7.1. The drivers for international shipping services to call at particular ports are all but exclusively related to bottom-line interests - that is, the profit that is derived from doing so.
- 7.2. There is a growing international trend whereby container ships on liner services use 'hub' ports serviced by feeder services. This enables larger ships to be used, calling at the deepest and largest ports and providing economy of scale outcomes to the shipowner (and their clients).
- 7.3. The withdrawal of international liner shipping services from Tasmanian port calls in recent years was no doubt a multi-faceted decision; however it underlines a key issue that is the preparedness for international operators to withdraw from a market with little notice.
- 7.4. A key consideration must be, was there adequate cargo to justify a port call in Tasmania?
- 7.5. If international liner services have withdrawn from services to Tasmania on the basis of the cabotage regime requirements that exist, then the decision has been predicated on the carriage of coastal/domestic cargo, not international cargo.
- 7.6. An international ship making multiple port calls collecting a range of international cargo and domestic cargo has a much greater opportunity to offer competitive freight rates due to the lower operating costs of such a ship and the potential of cross subsidisation from the international cargo. The ship is making a profit from the international cargo that it carries,

the domestic cargo is a bonus – and so it is possible that a discounted rate is able to be offered.

## 8. Annex A – Approximate Crew Wage Costs in Shipping

8.1. The table below sets out the approximate total crew wages cost on a per annum basis. In order to obtain these figures a number of assumptions have been made, the detail of which can be seen below.

Instrument	Approximate annual wage total cost (in AUD)	Crew	Additional % to account for employment costs (approx.)#
Tanker Enterprise Agreement*	\$5,269,975	36 (plus 3 trainees)	25-35%
Dry Cargo Vessel enterprise Agreements*	\$4,175,475	34 (plus 3 trainees)	25-35%
General Cargo Enterprise Agreement Wage rate 2013*	\$3,819,691	28 (plus 3 trainees)	25-35%
Product Tanker Award rate Seagoing Industry Award Part A*	\$2,845,844	36 (plus 3 trainees)	15-20%
Seagoing Industry Award Part A (Dry Cargo Category 3)*	\$2,372,012	34 (plus 3 trainees)	15-20%
Seagoing Industry Award Part B (temporary licenced ships)+∞	\$1,451,856	22	??^
ITF TCC Template Agreement+	\$721,855	22	??^

8.2. Key  
\* vessels operating on a two crew system due to leave ratio

+ vessels usually operating with 1 crew, however international industry practice may mean 1:1 leave for senior offices which would result in an increase to this figure.

# this column represents approximate additional employment costs based on a percentage of base wage which would include:

- Superannuation (between 9.25 -18%)
- Workers compensation premiums
- Payroll tax
- Victualling
- Any other allowance that may be due under the agreement.

This is an estimate only and can vary significantly between employers

^difficult to estimate what the employment on costs would be as a percentage base salary

∞ This instrument is expressed as normal hours plus overtime so an assumption of average hours +overtime hours has been made under the heading below.

8.3. Tanker Enterprise Agreement:

8.3.1. Based on the following assumptions:

8.3.1.1. Two crewed system to account for 1:1 leave ratio

8.3.1.2. Manning consisting of: 18

- 8.3.1.2.1. 1x Master and 4x Deck officers
- 8.3.1.2.2. 1x Chief Engineer and 3x Engineer Officers
- 8.3.1.2.3. 1x chief cook
- 8.3.1.2.4. 1x chief caterer
- 8.3.1.2.5. 1x chief IR
- 8.3.1.2.6. 6x IRs.
- 8.3.1.2.7. 3x trainees (1 deck, 1 engine, 1 IR) across the year for the vessel (additional to manning) – same cost/methodology as per dry cargo enterprise agreement.

8.3.2. Where indicated in the EA that salary was dependant on years in rank, 3 years in rank was assumed.

8.4. Dry Cargo Vessel Enterprise Agreement:

8.4.1. Based on the following assumptions:

8.4.2. Two crewed system to account for 1:1 leave ratio

8.4.3. Where a category of dry cargo vessel was specified, category 3 wages were used, without any medical benefit.

8.4.4. Manning consisting of: 17

- 8.4.4.1. 1x Master and 3x Deck Officers
- 8.4.4.2. 1x Chief Engineer and 3x Engineer Officers
- 8.4.4.3. 1x chief cook
- 8.4.4.4. 1x chief caterer
- 8.4.4.5. 1x chief IR
- 8.4.4.6. 6x IRs.
- 8.4.4.7. 3x trainees (1 deck, 1 engine, 1 IR) across the year for the vessel (additional to manning) – Trainee engineer and cadet rating is an approximate amount as will depend on year level and at sea/college time.

8.4.5. Where indicated in the EA that salary was dependant on years in rank, 3 years in rank was assumed.

8.5. General Cargo Enterprise Agreement (Bass Strait):

8.5.1. Based on the following assumptions:

8.5.2. Two crewed system to account for 1:1 leave ratio

8.5.3. Manning consisting of: 14

- 8.5.3.1. 1x Master and 3x Deck Officers
- 8.5.3.2. 1x Chief Engineer and 3x Engineer Officers
- 8.5.3.3. 1x chief cook
- 8.5.3.4. 1x chief caterer
- 8.5.3.5. 1x chief IR
- 8.5.3.6. 3x IRs
- 8.5.3.7. 3x trainees (1 deck, 1 engine, 1 IR) across the year for the vessel (additional to manning.)

8.5.4. Where indicated in the EA that salary was dependant on years in rank, 3 years in rank was assumed.

8.6. Seagoing Industry Award Part A (covers seagoing ships other than those operating under temporary licences) – Tanker rates

8.6.1. Based on the following assumptions:

8.6.2. Two crewed system to account for leave of 1:0.926 (effectively 1:1 therefore requires 2 crews)

8.6.3. Manning consisting of: 17

- 8.6.3.1. 1 Master and 3 deck officers
- 8.6.3.2. 1 Chief Engineer and 3 Engineer Officers
- 8.6.3.3. 1 chief cook, 1 chief caterer, 1 chief IR
- 8.6.3.4. 6 IRs.
- 8.6.3.5. 3 trainees (1 deck, 1 engine, 1 IR) across the year for the vessel (additional to manning)

8.6.4. Based on the rate of **Tanker (product)**

8.6.5. Trainee IR (cert III under the maritime training package) is \$366.80 per week.

8.6.6. For deck and engineer cadets, this is a diploma level qualification and isn't in the award and therefore the federal minimum wage has been used \$622.20 per week.

8.7. Seagoing Industry Award Part A (covers seagoing ships other than those operating under temporary licences) – Dry Cargo Rates

8.7.1. Based on the following assumptions:

8.7.2. Two crewed system to account for leave of 1:0.926 (effectively 1:1 therefore requires 2 crews)

8.7.3. Manning consisting of: 17

- 8.7.3.1. 1 Master and 3 deck officers
- 8.7.3.2. 1 Chief Engineer and 3 Engineer Officers
- 8.7.3.3. 1 chief cook
- 8.7.3.4. 1 chief caterer
- 8.7.3.5. 1 chief IR
- 8.7.3.6. 6 IRs.
- 8.7.3.7. 3 trainees (1 deck, 1 engine, 1 IR) across the year for the vessel (additional to manning)

8.7.4. Based on the rate of **Dry Cargo Vessels over 39,000 tonnes (D.C Cat 3)**

8.7.5. Trainee IR (cert III under the maritime training package) is \$366.80 per week.

8.7.6. For deck and engineer cadets, this is a diploma level qualification and isn't in the award and therefore the federal minimum wage has been used **\$622.20 per week**.

8.8. Seagoing Industry Award Part B (covers seagoing ships operating under temporary licences provided voyage threshold is met)

8.8.1. Based on the following assumptions:

8.8.2. One crew is used given lower leave ratio = 8 days per month – no account is taken for leave in this scenario.

8.8.3. Assumption that the vessel is operating under Temporary licence for a full 12 months (unlikely scenario)

8.8.4. Manning consisting of: 22

- 8.8.4.1. 1x Master and 3x Deck Officers
- 8.8.4.2. 1x Chief Engineer and 3x Engineer Officers
- 8.8.4.3. 1x Electrician
- 8.8.4.4. 1x Chief cook
- 8.8.4.5. 1 x Bosun
- 8.8.4.6. 3 x Oiler
- 8.8.4.7. 1 x Fitter
- 8.8.4.8. 3x AB
- 8.8.4.9. 2x Ordinary seaman
- 8.8.4.10. 2x messroom steward

8.8.5. For this calculation **no trainees** are assumed to be on board.

8.8.6. This does not take into account any additional allowances payable

8.8.7. The wage is expressed as a weekly wage plus overtime in Part B of the award.

8.8.8. The calculation method used was as follows to obtain an approximate annual wage cost:

8.8.9. (Ordinary weekly wage (40 hours) plus assumed overtime of 16 hours at time and a quarter) x52.

8.9. ITF Total Crew Cost agreement: minimum for international trading for ITF agreement vessels

8.9.1. Based on the following assumptions:

8.9.2. One crew is used given lower leave ratio = 7 days per month – no account is taken for leave in this scenario.

8.9.3. Manning consisting of: 22

8.9.3.1. 1x Master and 3x Deck Officers

8.9.3.2. 1x Chief Engineer and 3x Engineer Officers

8.9.3.3. 1x Electrician

8.9.3.4. 1x Chief cook

8.9.3.5. 1 x Bosun

8.9.3.6. 3 x Oiler

8.9.3.7. 1 x Fitter

8.9.3.8. 3x AB

8.9.3.9. 2x Ordinary seaman

8.9.3.10. 2x Messroom steward

8.9.4. For this calculation no trainees are assumed to be on board.

8.9.5. This does not take into account any additional allowances payable including pension or insurance and other agreement allowances.

8.9.6. The wage is calculated using the monthly total rate in the ITF TCC Agreement and multiplying it by 12 to get the annual rate for each classification.

8.9.7. The amount is in USD \$651,180 (USD) and exchange is based on 1 USD = 1.10853 AUD

## 9. Annex B: Coastal Trading – Issues raised by various parties and replies that correct and explain

	Issue	Reply / Explanation
1	The timeframes in the new Bill are too slow.	<p>A variation for a TL already approved is 2 days. This is the same as for an urgent SVP in the current regime.</p> <p>A variation for new matters is 7 days. An SVP in the current regime will be “endeavoured to be issued in 4 business days”.</p> <p>The initial application could be 15 days (or longer if GL negotiations etc are protracted). CVP’s in the existing regime will be “endeavoured to be issued in 10 business days”.</p>
2	Unions being notified and able to object to TL application.	<p>This is no different to the case now.</p> <p>The unions and the ASA currently receive advice regarding all permit applications and can make representations regarding the application.</p>
3	The GL ability to ‘contest’ TL applications and variations results in too much uncertainty.	<p>This is no different to the case now.</p> <p>Licensed operators are currently advised of permit applications and provided with the opportunity to nominate to carry the cargo.</p>
4	That the shipper will be required to use ships of lesser standard than they need if a GL ship of the right ‘type’ is available regardless of the standard of the ship.	<p>This is not correct and is no different to the case now.</p> <p>One of the ‘tests’ in the existing Ministerial Guidelines is “adequacy” and that same test concept is contained in the new Bill as ‘suitability’. Further the new Bill contains an additional test “the reasonable needs of the shipper” which could also be used to apply an appropriate standard for the ship (be that food grade holds, age or safety checks etc).</p>
5	That the Bill prevents companies from using their own ships.	<p>This is no different to the case now.</p> <p>Companies who require the use of their own vessels within the domestic transport task are required to structure their ownership requirements to meet ALL the national law that applies to them. In the existing regime, if a company owns and operates a ship from overseas, crews it with foreign seafarers and does not take a License then they are not guaranteed use of that ship in coastal trades. All applicable Australian law must be considered when determining ship ownership, management and operating structures.</p>
6	That the Bill will prevent access to foreign ships	<p>This is not true. The Minister has said repeatedly that this nation will always need foreign flagged vessels. Most recently in the 2<sup>nd</sup> Reading Speech (pg 4 of 8) “...Australia recognises that there is a legitimate role for foreign flagged vessels in our domestic shipping industry. Under the provisions of this Bill this will not change. Nothing in this package of Bills closes our coast.” Foreign flagged vessels will be able to operate under temporary or emergency licences.</p>