



**MARITIME
INDUSTRY
AUSTRALIA**
L I M I T E D

Pre-budget Submission
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About MIAL

Maritime Industry Australia Ltd (MIAL) is the voice and advocate for the Australian maritime industry. MIAL is at the centre of industry transformation; coordinating and unifying the industry and providing a cohesive voice for change.

MIAL represents Australian companies which own or operate a diverse range of maritime assets from international and domestic trading ships; floating production storage and offloading units; cruise ships; offshore oil and gas support vessels; domestic towage and salvage tugs; scientific research vessels; dredges; workboats; construction and utility vessels and ferries. MIAL also represents the industries that support these maritime operators – finance, training, equipment, services, insurance and more. MIAL provides a full suite of maritime knowledge and expertise from local settings to global frameworks. This gives us a unique perspective.

We work with all levels of government, local and international stakeholders ensuring that the Australian maritime industry is heard. We provide leadership, advice and assistance to our members spanning topics that include workforce, environment, safety, operations, fiscal and industry structural policy. MIAL’s vision is for a strong, thriving and sustainable maritime enterprise in the region.

MIAL’s overarching position concerning maritime policy in Australia is that we ought to have a sustainable, viable maritime industry. This activity can occur anywhere – coastal, offshore and international. This maritime activity should encompass anything – freight, tourism, passenger movement, port and harbour services, offshore oil and gas, construction, scientific/research, essential services, and government services.

Maritime in 2020-2021

The COVID-19 global pandemic has had far reaching impacts on the maritime industry. Along with other essential services, shipping has continued to operate, albeit under significant strain.

Various sectors of the maritime industry are being affected differently depending on the nature of their operation. Marine tourism has been decimated. Offshore oil and gas services are being hit very hard as all forward projects are placed on hold or cancelled, this has resulted in the volume of activity reducing dramatically with many vessels leaving Australia. Trading ships are operating at various levels of capacity depending on their trade (goods carried and area of operation). Towage and port services have experienced a V type impact on activity but still are not back to pre-COVID levels. Services supporting the industry are experiencing a downturn as a result of lower levels of activity and an inability to work as normal due to border closures.

The closure of internal and external borders has placed a disproportionate burden on industries that must traverse State/Territory and international borders as a matter of course in their operations. Combined with the limited and very expensive aviation linkages that are critical to the movement of maritime workers, the movement of this essential workforce has created a huge cost impost on this critical industry.

A recent survey by MIAL of our members indicates that of the respondents, only 36% will qualify for JobKeeper this quarter, down from 56% who received JobKeeper in either of the first two quarters.

However, 100% of respondents say they have incurred increased costs as a result of COVID. Increased costs does not factor into JobKeeper eligibility so many businesses who might be just missing out on the basis of revenue are in fact wearing considerably higher operating costs at the same time. This has meant that they have needed to find cost savings from within their business which has regrettably impacted many employees.

Many businesses are expecting financial losses in 2020 and 2021 calendar years with recovery for several sectors not expected until late 2021/2022.

The major sources of increased costs were quarantining of staff moving across domestic and international borders; domestic travel costs and employment costs – consisting of both wages while in quarantine and wages for duplicate employees to cover those unable to reach their place of work due to border closures.

To that end MIAL proposes that the Government introduce a new JobProtector assistance program to assist employers with the cost of having duplicate employees on the payroll for the same role in circumstances where COVID control measures, such as border closures, prevent the employee from attending the workplace.

BUDGET IMPACT: \$20k per duplicate employee per 6 week swing where entry to a State/Territory is not permitted; or \$10k per employee per 14 day quarantine where they can enter but must undertake quarantine.

The other priority areas for support for Australian businesses were:

- 1) Open domestic borders - allow critical maritime workers to cross borders without quarantine restrictions. There is no budgetary impact of this, but it has by far the greatest benefit to the maritime industry across the country.
- 2) Vaccine priority for maritime workers
- 3) Open international border for maritime workers – see above comment re domestic borders
- 4) Continued fiscal assistance (Job Keeper) - lower the threshold for JobKeeper or amend eligibility to take into account the increased costs the maritime sector is wearing to continue this essential service while dealing with internal and external border closures

Beyond COVID

The following policy options are recommended to the Government for implementation in the 2020-21 budget:

1. Job creation - skilled mariners must be secured for the nation and policy and financial support is required to achieve this; and

2. Secure National Interests – local control of vessels will provide: the platforms on which our skilled seafarers can train and work; assets available to the nation in times of need; and secure certain supply chains; and
3. Growth and Diversity in Maritime Activity – broadening the base for application of shipping specific corporate tax and regulatory settings will stimulate growth and drive economic contribution; and
4. Adopt a contemporary workers compensation system for seafarers and abolish the niche Seacare scheme which is out of step with community standards and too small to survive. An orderly exit must commence to avoid an implosion of the scheme; and
5. Rewrite the DCV laws to make them simple and effective and cease the cross subsidisation that is occurring between sectors to fund DCV service delivery by AMSA; and
6. Exclude maritime fuel from excise, duty and tax credits to eliminate cost and administrative burden from industry and Government; and
7. Amend Customs requirements to benefit the country not drive business away; and
8. Provide discounts to Australian ships for port and regulatory fees and provide priority access to Australian ships.
9. Adjust Coastal Trading Policy.

MIAL Priority Plan

The benefits that nations accrue by virtue of having a strong shipping industry include:

- the creation of skills and knowhow;
- control of strategic assets and ability to call upon them for national support;
- a degree of supply chain security; and
- economic diversity and returns to the nation generated by increased economic activity from the sector.

As the world's largest island nation, Australia requires maritime skills more so than most other countries. From the requirement to ensure trade is facilitated via Australian ports without incident, to ensuring we meet our international responsibilities as a country with one of the largest port state control tasks, the use, retention and development of maritime expertise is vitally important. The issue of a national maritime skills shortage has been well established over recent times and hinges on two critical issues – training and work opportunities – both of which require urgent action. The forecast skills shortage of 560+ people by 2023¹ is of critical concern for a nation reliant on seaborne trade and activity.

For these reasons, MIAL's overarching position concerning maritime policy in Australia is that we ought to have a sustainable, viable maritime industry. This activity can occur anywhere – coastal, offshore and international. The shipping activity should encompass anything – freight, tourism, passenger movement, port and harbour services, offshore oil and gas, construction, scientific/research, essential services, and government services.

MIAL is an advocate for a fiscal and regulatory regime that makes it attractive for shipping and maritime businesses to exist in Australia and affords those Australian businesses every opportunity to compete for work and participate in maritime activity worldwide.

¹ 2018 Seafaring Skills Census – Maritime Industry Australia Ltd 2019

The issues raised in this submission have been canvassed in detail in the following submissions. Please refer to these for further detail.

[Submission to the Joint Standing Committee Inquiry into impacts of COVID on Foreign Affairs, Defence and Trade](#)

[Submission to Senate Standing Committee on Rural and Regional Affairs and Transport](#)

Job Creation

Training

1. There is sufficient capacity within the Australian industry to train Australian officers to meet the nations' strategic skills requirements however such training needs to be funded and better coordinated.
2. A training system that is centralised, organised and funded is required.
3. This requires coordination and management.

BUDGET IMPACT: \$1M over 3 years to establish the coordination and management body to oversee training of maritime officers (deck and engine), thus supporting the nations critical skills base.

4. The sea service component of maritime certification is unique in that it does not qualify as part of an apprenticeship/traineeship (to attract VET funding) or as part of a university course (to attract HECS-HELP) funding. Sea service for new maritime entrants is therefore a gap in the higher education funding system for maritime staff. To assist employers in training the critical skills the nation needs in the maritime industry, the full maritime training continuum should be supported as it is for other professional work groups.
5. The *Miscellaneous Award 2020* determines the minimum rates for Deck and Marine Engineer Officer trainees and cadets. The rate varies according to the employee's age and level, but for example, a 20 year old cadet is entitled to a minimum of \$37,154.88 pa. whilst undertaking sea service to achieve AMSA STCW certification of competency.

BUDGET IMPACT: \$10M over 3 years to support 50 new maritime entrants in achieving minimum international certification, by providing support during the attainment of the sea service component of training.

6. In the longer term to make the training system sustainable, the issue of insufficient work opportunities for those qualified to work at sea needs to be overcome in order that senior skills are obtained to fill the national need for such expertise.

Increase work opportunities.

1. Usually, seafarers worldwide do not pay income tax in their home countries. Australia has a system in place whereby employers of seafarers working internationally on Australian flagged trading ships are rebated 30% of the PAYG tax withheld. This measure, while helpful, does not place Australian employers or seafarers on a level footing with their international counterparts. It also has very limited application.
2. Facilitating more Australian seafarers to work internationally but remain domiciled in Australia and eventually return to fill a strategic role ashore is in Australia's national interest. This can be accomplished by:

- a) Provide complementary seafarer income tax structure for those not employed by Australian companies or on Australian flagged ships (to ensure that Australian's are treated on an equivalent basis as their international counterparts).
- b) Extend application of taxation structure to include individuals working on a broader range of vessels across the maritime domain, including the offshore sector.
- c) Provide for the Seafarer Tax Offset to be available to Australian crew even if not working internationally in order that the operating cost of the ship can be reduced (i.e. cost saving vests with employer) thereby increasing the competitiveness of a ship employing Australian workers.

BUDGET IMPACT: Equivalent to total income tax paid by Australian seafarers, likely to be more than offset by significant growth in direct and indirect economic activity resulting from growth of the sector.

Secure National Interests

1. A Strategic Fleet made up of 20 vessels would result in 1800 permanent jobs, provide training for ~100 seafarers each year and deliver \$173m in tax revenue. The support required to deliver this is \$140m annually, which equates to approximately 1.27% of the annual (averaged) land transport infrastructure spend announced in the 2020/2021 federal budget.

BUDGET IMPACT: Net ADDITION \$33M

2. This represents a significant return on investment with the result being an ongoing secure, reliable source of trained maritime professionals with the essential skills to run our nations ports, pilot our visiting ships in to berth and ensure safety and environmental standards are upheld. Not to mention having a critical mass of assets available to look after the national interest, should that be required.
3. Until Australia has a regime that supports a level of local content in our shipping task, we will not see certainty and stability in the sector and industry will continue to be wary of investment. With the complete demise of the industry, Australia further relinquishes control over critical supply chain links along with the associated essential strategic maritime skills.

Growth and Diversity in Maritime Economic Activity

1. Introduce deemed franking credits in respect of dividends to resident shareholders, to make vessel ownership and/or operation from Australia more internationally competitive.
2. Introduce dividend withholding tax exemption in respect of dividends to non-resident shareholders, to make vessel ownership and/or operation from Australia more internationally competitive.
3. Extend application of corporate income taxation structure to assets operating across the maritime domain including the offshore sector.

Australian International Shipping Register

4. Broaden the types of vessels/activities that are eligible to "maritime activities.
5. Remove requirement to spend more than 50% of time working internationally.
6. Require a minimum Australian crew component rather than designated roles.
7. Remove reference to the Single Bargaining Unit as the exclusive means of determining terms and conditions on board AISR vessels.
8. Improve the process of obtaining certificates of equivalence for seafarers.
9. Implement improvements (difficulty and expense) to the survey requirements for re-flagging in Australia.

The following changes to the AISR in relation to coastal trading:

10. Provide AISR ships with preference over Foreign ships when issuing Temporary Licences.
11. Fix ambiguity regarding FWA implications when under a temporary licence and not covered by Part B (i.e. first two voyages).

BUDGET IMPACT - SAVING: \$4.25 bn to GDP; 9,147 jobs; \$867m in taxation revenue (based on 100 additional vessels)²

Abolish Seacare

1. This niche regime is out of step with community standards and too small to survive. An orderly exit must commence to avoid an implosion of the scheme.

BUDGET IMPACT - SAVING: \$1M to Government (appropriation to fund Seacare)
BENEFITS: SAVINGS to industry of \$3M in administration cost savings – reducing red tape in duplicate administration with Seacare and State schemes.

Domestic Commercial Vessels

1. Rewrite the DCV law to make them simple and effective.
2. If cost recovery from the DCV sector is not to be implemented in the 2021-22 financial year, an appropriation to AMSA from the budget must be made in order that the cross-subsidy that is currently funding DCV service delivery activities by AMSA ceases.

BUDGET IMPACT: \$40M to AMSA for the operation of their DCV functions and resources to conduct a comprehensive re-write.

Fuel Excise, Duty and Tax Credits

1. At best the regime of duties payable and rebates available creates costly administrative burdens; at worst it creates an unlevel playing field between operators, imposes taxes on taxes (GST on the duty), middlemen fees and opportunity cost of money losses.
2. MIAL supports the exclusion of maritime fuel from the excise and customs duty system (and therefore the Fuel Tax Credit regime) on the basis that it imposes additional costs on operators in the Australian maritime industry, provides no value to the Australian treasury, and further exacerbates the cost differential between vessels operating internationally and those dedicated to coastal trades.
3. MIAL would welcome the opportunity to explore the exclusion of maritime fuels with the relevant Government agencies with the view to eliminating this cost and administrative burden from industry and Government.

BUDGET IMPACT: SAVING to Treasury & ATO in administration and compliance (figure unknown).
BENEFITS: SAVING: ~\$20M to businesses in administration and the opportunity cost of their money being held by Government.

Customs

1. Provide for circumstances whereby importation is not in the 'national interest' (e.g. a ship temporarily used as a storage facility)
2. Introduce a timeframe during which vessels in Australia will not be deemed imported (e.g. 90 consecutive days)

1. The economic contribution of the Australian maritime industry, pwc 2015

3. Exempt vessels using Australian dry-dock facilities from importation.

BUDGET IMPACT: Nil

BENEFITS: Increased activity at Australian dockyards resulting in jobs and increased revenue.

Ports and port pricing

1. Provide discounts / exemptions to Australian ships for port and regulatory fees.
2. Invest in dedicated coastal ship terminals as critical infrastructure.
3. Ensure port planning processes provide priority access to ports and berths for Australian ships and shoreside facilities for their cargo and other needs.
4. Port charges to be monitored and action taken to prevent unreasonable increases;
5. A review into dedicated coastal ro-ro services should be undertaken to assess viability
6. In 2013/14 the public funding (from all Governments) provided to road and rail was:
 - ~\$25 Bn (Commonwealth, State/Territory and Local) for road; and
 - ~\$8.3 Bn (Commonwealth and State/Territory) for rail.³
7. Further, it is estimated that each one per cent increase in freight efficiency saves the national economy \$1.5 billion.⁴ There is little doubt that with the right policy settings shipping could deliver at least a 1% efficiency gain.

BUDGET IMPACT: SAVING: \$1.5Bn.

Coastal Trading

The following changes should be made:

1. Streamline licence application and variation approvals via the GL exclusion process proposed herein.
2. The trade across Northern Australia including the communities in Torres Strait should be considered “essential services” and changes to the definition of voyage in the Coastal Trading Act be made to recognise ‘the network of voyages’ be adopted for “essential services”.
3. Introduce special arrangements for “essential service” operations that seek to equalise the cost of access to essential goods and services by Northern Australian communities.
4. Large cruise ships currently subject to exemption should have that exemption made permanent.

BUDGET IMPACT: Dependent on level of equalisation scheme for other essential service corridors.

³ ABS (2015 c,e & h), BITRE estimates

⁴ 3 NSW FREIGHT AND PORTS STRATEGY, November 2013