

I work for Maersk Supply Service, an offshore vessel service company with a fleet of over 60 vessels manned by more than 1,900 crew members and supported by around 250 onshore staff worldwide.

Maersk operate worldwide and are present in all major offshore areas in Europe, from Southern Brazil to East Coast Canada, from Africa to Asia Pacific.

Maersk vessels are flagged in Denmark, Isle of Man, Canada and Brazil, and manned with multinational crew, the bulk of them coming from Denmark, United Kingdom, Canada, Brazil, and Australians on vessels operating in Australia.

Note that vessels operating in Australia are not registered in Australia, however vessels operating in Canada are registered in Canada and manned with solely with Canadian citizens.

The drop in the oil price caused a contraction in the market and reduction in Maersk's operations here in Australia. The CEO of Maersk Supply Service at the time, Carsten Plougmann Andersen, came out to Australia to brief us on the situation. He said that if the vessels were not under long term contract, and were sitting at anchor waiting for spot market contracts, that it had to be done in Singapore, and with Danish or British crew, as Australian crew are not cost competitive. He mentioned that the shipping industry had almost died for Danish crew, before the Danish Government gave tax concessions for ship owners and Danish seafarers, and that we should lobby our Government to do the same.

Maersk offered transfers to vessels operating in Nigerian waters, on an Isle of Man contract, in an effort to keep us employed. The Nigerian taxation department offers a 15 % rebate on for foreign workers employed in the offshore sector in Nigerian waters. The Isle of Man has a 100% seafarers earning deduction for those employed on vessels for more than 183 days of the year, representing tax free income. However as the seafarer would be taxed in Australia, it worked out that the seafarer would be on approximately 35% less net income than if employed in Australia, the approximate rate of tax.

In the past I was employed for Shell Trading and Shipping Co, which operated a fleet of over 70 vessels around the world with mixed crew. In Australia STASCo managed five LNG carriers operating between the North West Shelf LNG project, and Asia. Four are registered in Australia, and crewed with Australian citizens, and one is registered in Bermuda and crewed with a mixed international crew. STASCo was frequently questioning why it was so expensive to operate the four Australian registered vessels in comparison to the Bermudan registered vessel. All employment agreements STASCo had with various manning companies were readily available. The difference between Australian deck officers and Engineers, and those employed on Isle of Man or Singapore enterprise agreements, once currency was taking into consideration, was approximately equal to the taxation rate Australian officers were paying.

For the time that seafarers are employed on vessels, they aren't using the utilities of Australia -

they aren't driving on the roads, using the hospitals, etc. In fact, for the period that seafarers are at sea, the company is required to take care of all medical requirements, so at the very least an exemption to the Medicare levy should be offered for the period that the seafarer is on board a vessel. Additionally seafarers are paying for private health insurance for the year when they only require it for half the year under the same reasoning.

Statistics obtained from the Australian Bureau of Statistics by the Australian Institute of Marine and Power Engineers list the freight deficit at approximately \$10 Billion per annum. That is the cost of shipping Australian resources and agricultural products overseas, and importing of manufactured products, petroleum products, etc. This can be reduced by revitalising the Australian shipping industry, and some of the means by which that can be achieved include tax concessions for ship owners such as reduced rates of company tax, reduced tonnage tax, depreciation allowances for vessels and tax concessions on the disposal of vessels. Additionally, tax concessions or a full rebate for seafarers employed on vessels for 183 days or more over the course of a financial year will reduce wages costs.

In the offshore vessel industry, vessels are almost exclusively operating in Australia's EEZ, however the bulk of these vessels are registered outside of Australia, even vessels owned and operated by companies incorporated in Australia such as Mermaid Marine Australia Offshore, with more vessels registered in Singapore than in Australia.
<http://www.mmaoffshore.com.au/services/vessels/our_fleet_by_vessel_name.phtml>

Employment growth in this area has a trickle-down effect, with seafarers employed in both Australia and overseas bringing home their earnings and spending them domestically. Seafarers employed overseas will bring back to Australia additional expertise not able to be gained in our shrinking shipping industry.

I recognise that the appetite for tax concessions is not there, however the Department of Infrastructure and Regional Development has coastal shipping reform on the agenda. An effective means of reducing the freight deficit, increasing employment and associated increase in consumer spending is through tax reform for the shipping industry and those employed at sea.

Please note that these views are my own and in no way representative of my employer, Maersk Supply Service.