



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

Pre-budget 2020-21

Contact: Teresa Lloyd
teresa.lloyd@mial.com.au

September 2020

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

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.

The two biggest issues affecting maritime businesses profitability, and indeed viability, and the proposed Government action to resolve these are:

- 1) Ease of movement - 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) 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.

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 downturns 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 26% will qualify for JobKeeper2.0, down from 48% who received JobKeeper.

However, 78% of respondents say they have incurred increased costs as a result of COVID (see breakdown below) – however 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.

Has your business incurred additional operating costs due to COVID related issues? If yes, what has that increase been?	
0-5%	37.50%
6%-10%	20.83%
11%-20%	12.50%
21%-30%	8.33%
31%-40%	4.17%
>40%	16.67%

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

Beyond COVID

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

1. Address the maritime Skills Shortages - skilled mariners must be secured for the nation and policy and financial support is required to achieve this; and
2. Establish a Strategic Fleet - these vessels will provide: the platforms on which our skilled seafarers can train and work; assets available to the nation in times of need; and security of certain supply chains; and

3. Extend Seafarer Income Tax settings to allow more Australian seafarers to work overseas; and
4. Make Corporate Income Tax settings internationally competitive and maximise the benefit to Australia by broadening the base of activity that qualifies to include all vessels regardless of what 'work' they do; and
5. Make the AISR competitive and fit for purpose for the Australian circumstance – including operating in coastal activities; and
6. Provide discounts to Australian ships for port and regulatory fees and provide priority access for Australian ships; and
7. 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
8. Amend Customs requirements to benefit the country not drive business away; and
9. Adjust Coastal Trading Policy - remove the red tape, remove the need to pay Part B wages, move away from port pairs, and more; and
10. Rewrite the DCV laws to make them simple and effective and cease the cross subsidy that is currently funding DCV service delivery by AMSA.

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 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.

According to the recently undertaken Seafaring Skills Census¹, the Australian maritime sector has a projected shortfall of over 560 individuals by 2023. This is across the field of qualified seafarer roles both ashore and at sea. The issue of a national maritime skills shortage hinges on two critical issues – training and work opportunities – both of which require urgent action.

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.

¹ 2018 Seafaring Skills Census, Maritime Industry Australia Ltd 2019

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.

Skills – Training

1. There is sufficient capacity within the Australian industry to train Australian officers to meet the nations' requirements however such training needs to be funded.
2. Better coordination of training berth usage across the Australian maritime sector is required.
3. A solution should be based on the principals that the best outcomes will be achieved via a training system that is centralised, organised and funded.

Skills – Work Opportunities

1. 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.

Seafarer income tax

1. 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).
2. Extend application of taxation structure to include individuals working on a broader range of vessels across the maritime domain, including the offshore sector.
3. 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.

Corporate income tax

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 taxation structure to assets operating across the maritime domain including the offshore sector.

Australian International Shipping Register

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

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

Abolish Seacare

1. This 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.

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

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 consistent with those available for the national highway, i.e. the Tasmanian Freight Equalisation Scheme (TFES).
4. Large cruise ships currently subject to exemption should have that exemption made permanent.

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

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

Further detail on these issues is contained in:

- [MIAL Submission to Joint Standing Committee on Foreign Affairs, Defence and Trade: Inquiry into the Implications of the COVID-19 Pandemic on Australia's Foreign Affairs Defence and Trade \(2020\)](#) (Submission #87)
- [MIAL Submission to Senate Standing Committee on Rural and Regional Affairs and Transport: Inquiry into the policy, regulatory, taxation, administrative and funding priorities for Australian shipping \(2019\)](#) (Submission #13)