



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON INFRASTRUCTURE, TRANSPORT,  
REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT

**Reference: Coastal shipping policy and regulation**

THURSDAY, 15 MAY 2008

CANBERRA

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES



## **INTERNET**

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

**<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:

**<http://parlinfoweb.aph.gov.au>**

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON  
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT**

**Thursday, 15 May 2008**

**Members:** Ms King (*Chair*), Mr Neville (*Deputy Chair*), Ms Campbell, Mr Cheeseman, Mr Clare, Mrs Gash, Mrs Mirabella, Mr Raguse, Dr Stone and Mr Sullivan

**Members in attendance:** Mr Cheeseman, Ms King, Mr Neville, Mr Raguse and Mr Sullivan

**Terms of reference for the inquiry:**

To inquire into and report on:

Coastal shipping policy and regulation and ways to enhance the competitiveness and sustainability of the Australian coastal shipping sector.

The Committee's report is to:

1. Outline the nature and characteristics of the Australian shipping industry and the international and coasting trades;
2. Review the policy and regulatory arrangements in place for the coastal shipping sector;
3. Assess strategies for developing an adequate skilled maritime workforce in order to facilitate growth of the Australian coastal shipping sector;
4. Consider the effect of coastal shipping policy on the development of an efficient and productive freight transport system, taking into account issues such as environmental and safety impacts and competitive neutrality between coastal shipping and other modes of transport; and
5. Consider the implications of coastal shipping policy for defence support, maritime safety and security, environmental sustainability and tourism.

**WITNESSES**

<b>BROHIER, Mr Peter Neville, Private capacity .....</b>	<b>41</b>
<b>BYRNE, Mr Martin, Assistant Federal Secretary, Australian Institute of Marine and Power Engineers.....</b>	<b>30</b>
<b>CHRISTIANSEN, Mr Henning, Federal Secretary, Australian Institute of Marine and Power Engineers.....</b>	<b>30</b>
<b>CREMEN, Mr Patrick, Acting Branch Manager, Skills Branch, Department of Education, Employment and Workplace Relations.....</b>	<b>1</b>
<b>DOLAN, Mr Martin, Deputy Chair, Seacare Authority .....</b>	<b>1</b>
<b>EVANS, Mr Scott, Assistant Secretary, International Relations Branch, Department of Education, Employment and Workplace Relations .....</b>	<b>1</b>
<b>HUME, Ms Maree, Principal Legal Officer, Attorney-General’s Department .....</b>	<b>12</b>
<b>KELLY, Ms Elizabeth Ann, Executive Director, AusCheck Division, Attorney-General’s Department .....</b>	<b>12</b>
<b>KLOSE, Mr Peter Douglas, Chair, Transport Committee, Cement Industry Federation.....</b>	<b>20</b>
<b>LOWE, Ms Jamie, Assistant Secretary, Business Development and Governance, AusCheck Division, Attorney-General’s Department .....</b>	<b>12</b>
<b>MAYNARD, Mr Michael, Group Manager, Workplace Relations Implementation Group, Department of Education, Employment and Workplace Relations .....</b>	<b>1</b>
<b>NEVILLE, Mr Ivan, Branch Manager, Labour Supply and Skills Branch, Department of Education, Employment and Workplace Relations .....</b>	<b>1</b>
<b>RYAN, Ms Melissa J, Branch Manager, Commonwealth Safety and Compensation Policy Branch, Department of Education, Employment and Workplace Relations.....</b>	<b>1</b>
<b>WEBLING, Mr Alexander D’Arcy, Implementation Manager, Critical Infrastructure Protection Branch, Attorney-General’s Department .....</b>	<b>12</b>



**Committee met at 9.05 am**

**CREMEN, Mr Patrick, Acting Branch Manager, Skills Branch, Department of Education, Employment and Workplace Relations**

**DOLAN, Mr Martin, Deputy Chair, Seacare Authority**

**EVANS, Mr Scott, Assistant Secretary, International Relations Branch, Department of Education, Employment and Workplace Relations**

**MAYNARD, Mr Michael, Group Manager, Workplace Relations Implementation Group, Department of Education, Employment and Workplace Relations**

**NEVILLE, Mr Ivan, Branch Manager, Labour Supply and Skills Branch, Department of Education, Employment and Workplace Relations**

**RYAN, Ms Melissa J, Branch Manager, Commonwealth Safety and Compensation Policy Branch, Department of Education, Employment and Workplace Relations**

**CHAIR (Ms King)**—I declare open this public hearing of the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government for its inquiry into coastal shipping policy and regulation. This is the sixth public hearing of this inquiry. Today we will be hearing from the federal government departments, the Cement Industry Federation, the Australian Institute of Marine and Power Engineers—again—and Mr Brohier. I welcome everybody here today, and I hope that our discussions are informative. At the table we have representatives of the Department of Education, Employment and Workplace Relations. Do you have anything to say about the capacity in which you appear today?

**Ms Ryan**—I am here in my capacity of having policy responsibility for the Seacare Authority.

**Mr Dolan**—I am the Acting Chief Executive Officer of Comcare.

**CHAIR**—Thank you very much for appearing before us today. As you would be aware, we do not require you to give evidence under oath, but these are formal proceedings of the parliament and are to be treated as such. It is also incumbent upon me to remind you that giving false or misleading evidence before the committee is considered a very serious matter and may be regarded as a contempt of parliament.

Thank you very much for your submission, which was extremely helpful because, obviously, industrial relations is one of the core issues in this particular area. Do you have a brief opening statement with regard to your submission or any other matters that you would like to address before the committee this morning?

**Mr Maynard**—We do. Mr Dolan also has a short introductory statement. First of all, let me thank the committee for inviting the department here today and for the opportunity to address the matters for which the department has responsibility in respect of coastal shipping policy. To assist the committee, the department's submission provides background on a number of issues, including some general labour market statistics. The recent Bureau of Statistics data suggests

that, on average, the 16,500 people employed in the water transport sector, relative to all other industries, are more likely to be employed full time, to be male, to have higher median weekly earnings, to be marginally older and to have a higher skill profile.

Although employees in this sector have a higher skill profile, I note that nearly every submission to this committee notes that skills shortage is a major concern. The establishment of Skills Australia, the independent statutory body to provide advice on workforce development and future skills needs, will assist in that process. Additionally, the government's initial allocation of 450,000 training places over four years across a wide range of industries in the Skilling Australia for the Future initiative would certainly be of assistance, and this number has been expanded through the budget to 630,000 new training places, with \$1.9 billion over five years.

The department's role in this is to work with the Transport and Logistics Industry Skills Council to assist with wide strategic planning and ongoing skills shortage research. We assess the labour market for over 170 skills occupations, and the results of this research are the basis of the Migration Occupations in Demand List and the National Skills Needs List. In addition, we are working with industry to develop a survey on the maritime sector assessing the labour market for the 10 largest occupations for coastal water transport, excluding those of ship's engineer and ship's master. Ship's engineers are already included on the priority occupations for the Productivity Places Program as part of the government's Skilling Australia for the Future initiative.

While the department does not have direct policy responsibility for coastal shipping, it is responsible for legislation which interacts with the Navigation Act, the principal legislation regulating the coastal shipping sector. In our submission, we have outlined the specific interaction with the Workplace Relations Act and the Navigation Act of ships that either are licensed to engage in coastal trade or operate under a permit on the Australian coast. As you will be aware, under the current law the crew of the licensed ship are required to be paid the current rates ruling in Australia, which the Navigation Act identifies as the applicable Australian pay and classification scale or transitional award under the Workplace Relations Act, whereas under regulation 1.1 of the Workplace Relations Regulations all foreign crew members working in foreign registered ships, and their foreign employers operating in Australian waters under a permit, are exempt from the Workplace Relations Act.

Our submission also outlines the implications of the Seacare scheme for the issue of coastal trade licences under the Navigation Act. The Seacare scheme is a workers comp and occupational health and safety scheme for certain seafarers and is established under the Seafarers Rehabilitation and Compensation Act and the Occupational Health and Safety (Maritime Industries) Act. The department has policy responsibility for the scheme, although the regulator is the Seacare Authority, and the Australian Maritime Safety Authority performs the occupational health and safety inspectorate functions.

Lastly, our submission advises on the Deputy Prime Minister's agreement to consider the possibility of ratifying the International Labour Organisation's Maritime Labour Convention. The convention, if ratified, would apply to all seafarers, including those engaged in coastal shipping. The department is currently undertaking an assessment of Commonwealth law and practices and the Commonwealth's compliance with the provisions of the convention. It is

anticipated the department will initiate consultations with external stakeholders later this year. We will be happy to answer questions on any of these matters following Mr Dolan's brief statement.

**Mr Dolan**—The chair of the Seacare Authority offers his apologies. He asked me to attend today as, unfortunately, he had a prior engagement he could not move. The authority oversees occupational health and safety and workers compensation for some classes of ship and seafarers. In essence, those that are engaged in interstate trade or international trade and vessels operating in interstate trade that have a licence, but not a permit, fall under the scheme. The scheme brings an occupational health and safety and a workers compensation and rehabilitation regime to those classes of vessel. Occasionally, as is drawn out in the department's submission, this leads to anomalies in overall jurisdiction. We are more than happy to answer any questions in relation to that or the broader scheme.

**CHAIR**—Thank you. I might deal with that at the latter part of hearing. I am really interested in the ILO Maritime Labour Convention. It is at a relatively early stage in terms of its potential ratification in Australia, but have you got any early advice on what the interaction between it and regulation 1.1 of the Workplace Relations Regulations is? Sorry, I should have warned you I was going to ask you a technical question. The reason I am asking is that a couple of the submissions are suggesting that that regulation be repealed. Obviously we are interested to find out what other processes are going on in relation to potential changes to the legislation in workplace relations at the current time.

**Mr Evans**—I have responsibility for international labour matters, including the ILO. In relation to the interaction with regulation 2.1.1, unless one of my colleagues can answer that specifically, I will have to take that on notice because I have not been briefed in relation to that particular issue. In relation to the convention itself and the processes associated with it, it is a very detailed, very large and very complex document. It actually consolidates approximately 37 previously existing ILO conventions, only five of which Australia had ratified—so we have only ever had to be compliant with five of them. Should the government make the decision to move towards ratification, Australia would need to become compliant with the provisions of all them.

At the moment we are undertaking an iterative process within this department to start with to look at the nature and scope of relevant Commonwealth legislation and the extent to which ratification can be pursued on the basis of Commonwealth law and practice alone. Once that assessment has been done within our department, we will then go out to the department of infrastructure and the Maritime Safety Authority to broaden that out in terms of the Commonwealth's legislation. Once we have an idea about the nature and scope of Commonwealth law and practice, we will be in a position to move out to external stakeholders, including state and territory governments, and industry stakeholders such as unions and employer groups.

**CHAIR**—Do you have a time frame for that?

**Mr Evans**—It is not a firm timetable, but we are looking at completing our in-house assessment some time over the next eight to 10 weeks, going out to other Commonwealth agencies in the early part of the second half of this year. Our intention is to go out to external stakeholders by the end of the year.

**CHAIR**—The other issue I wanted to ask you about was award modernisation, which is obviously occurring and I assume is part of the responsibilities of your department. Can you tell us about the scheduling or where you are in terms of the award that covers this industry and whether there is any interaction between that and the regulations in the Workplace Relations Act that you are aware of?

**Mr Maynard**—The Maritime Industry Seagoing Award is amongst the number of awards that will be part of the modernisation process being undertaken by the Australian Industrial Relations Commission. They have been asked to complete that process so that the new awards would apply from the beginning of 2010. The process is being managed by the AIRC, and it is in its early phases at the moment. However, there would be an expectation that stakeholders will be consulted as part of that process. In terms of its interaction with the regulations, my understanding is that the responsency of the Maritime Industry Seagoing Award currently would not encompass the foreign-owned vessels and persons operating under a permit because of the operation of regulation 1.1, and that would continue to be the case unless that regulation was amended.

**CHAIR**—This is probably a bit beyond the scope of what you can tell me but, as I have said, we have had a couple of submissions that ask for the repeal of that regulation. Can you give us some advice on what the impact of that would be?

**Mr Maynard**—In the event that the regulations were repealed, it is probable that the permit ships would then come under the scope of the Workplace Relations Act and, as a consequence, they would be subject to the applicable safety net. As I say, the Maritime Industry Seagoing Award currently has a responsency, I understand, to exclude those ships, and therefore that would remain the same unless it was amended as part of the modernisation process or other regulations were put in place to give that effect.

**Mr SULLIVAN**—I have a couple of questions, but I am not entirely sure who to direct them to. I am interested in some of the statistics and the figure that shows the number of people who are employed in water transport. I would be interested to know what that encompasses—for example, whether the cruise boat on the Yarra River is part of that figure. It is on a par with the transport industry, but the deplorably low level of female employment is an issue to me. I would be interested to know what sorts of jobs women have within that sector.

**Mr Neville**—In answer to your first question, water transport is going to cover all forms. If Australia had the equivalent of the *Queen Mary*, it would be included in there. And the little boat that goes along the Yarra or putts around Lake Burley Griffin will also be included. In terms of your second question about the make-up of female employment, we would have to take that on notice but we would have information by occupation to show you where females are working in the industry.

**Mr SULLIVAN**—I would appreciate it if you would let the committee have that. Growth is the next question. There is very low growth in employment. What are the factors in the sector that determine that low level of employment growth?

**Mr Neville**—Is this projected employment growth?

**Mr SULLIVAN**—It is the projected employment growth of 0.5 per cent per annum compared to 1.2 in transport and 1.3 for all other industries.

**Mr Neville**—Again, we would have to take that on notice. I just bring to your attention that these are projections, and projections are fraught with a lot of issues. The projections that the department put together are based on work done by the Centre of Policy Studies at Monash University. They have a model that they use. We get those results and make some adjustments. We can come back to you with a little more information about those projections.

**Mr SULLIVAN**—I would appreciate that. I think you would understand that part of the work of this committee is to determine whether we can build the sector, which would include increasing employment. It would be lovely to know what the inhibiting factors are to that at the moment.

**Mr RAGUSE**—My questions go to training, Skilling Australia and the push to provide training opportunities. A number of witnesses to this inquiry have said that there are some major shortages; others have said that plenty of younger people want to get into the industry. In terms of training and the appropriate legislation that allows us to open up industries and train more people, from my perspective there has never been a direct attempt to look at the maritime industry specifically for training needs. The figures here suggest lots of training places. We talk generally about certificate II and certificate III level qualifications. How generic are we being in terms of these inputs? What about the specific outcomes for this industry? Does someone want to comment on that?

**Mr Cremen**—Bearing in mind some of the comments made by my colleagues about growth or potential growth in the particular sector, there are a couple of responses which are being rolled out in terms of supporting directly the needs of this particular sector. My initial remarks would be that a dedicated training package has been developed to provide the right sorts of skills that industry needs for this particular sector. That training package was originally endorsed in 2001 and updated in 2007. After a considerable and lengthy consultation period, bringing into scope the views of regulators, industry, state and territory governments, registered training organisations and the like, that training package is now up and running and, in principle, it should be responding to the needs of the particular industry.

**Mr RAGUSE**—We have heard evidence from different groups, and those who are fairly involved in training say that they are not aware that such a training package exists, or they suggest that an ad hoc approach is taken towards cooperation between the different training providers. This suggests that a number of anomalies exist in terms of the industry's understanding of training. I have a training background, so I understand the process of training packages and the notion of competency based training or competency based assessment. There seem to be misunderstandings amongst some of the major players involved in training. What would be your view on that?

**Mr Cremen**—It is an interesting observation. I suppose that my remarks would go to the fact that there is a steering committee for the development of the training package. Bearing in mind that we do have an industry led training system, the project steering committee included the maritime safety agencies, unions, regulators, employer associations, registered training organisations and industry associations. I understand that contributions were received from some

or all of those bodies in developing the current training package. The training package was also approved by the National Quality Council and, subsequently, by Commonwealth and state and territory ministers with responsibility for training.

The development of the package itself was coordinated by the Industry Skills Council, which is a body that is designed to bring together the views of the industry to provide for the right sort of competencies and assessment mechanisms that would form the content of the training package. In principle, the training package should be responding to the needs of industry and, if there are views that it is not, I would probably need more information on the reason why those views are held.

**Mr RAGUSE**—I can understand you are not responsible for the industry or how they respond. While there are always within an industry a number of groups very actively involved in the training sector, from the evidence that we have received, it still seems to be quite incomplete in terms of who is doing what. While we have a training package, we do still have the AMC, which is delivering higher level degree programs and trying to deliver VET programs. There is a funding issue of course because they are different sectors. This is evidence from the different colleges and different providers that there seems to be a lack of coordination. I am not suggesting the department has a direct responsibility in that. This committee is about what we might need to do to better coordinate training in this particular sector.

**Mr Cremen**—I understand what you are saying, but, given how recently the training package was updated and the process undertaken to bring the views of all the different parties in the sector to bear in the development of that training package, a consultation period that lasted in excess of 15 months, I am surprised that almost immediately after it is published, those views are being aired.

**Mr RAGUSE**—We heard evidence in the first few hearings from people who directly said they were unaware that there was an up-to-date training package, et cetera. I know the process. Obviously the industry may have signed off on it but what makes up the industry? Who has signed off on this? Is there a way of saying that every sector and every part of the industry understood, examined, knew that it was being published and had involvement?

**Mr Cremen**—In principle, yes. As I said, the development was run through a steering committee and at different stages in the development of the package, it would have gone out to different parts of the sector to seek views before going through a formal clearance process. So technically and theoretically, it should have brought in the views of all those parties. I take your point that maybe people are saying that it is not responding to the needs of their particular organisation. Perhaps if you are able to share those organisations, we could follow up with them directly.

**Mr RAGUSE**—Yes, certainly. I think that might be one of the outcomes in terms of how we look at training. We did have a number of people who showed concerns and who probably had a lack of understanding of competency based training or the packages and the notion that competency based training is really not about the training; it is about the assessment. Whether it is about time served at sea or particular competencies, there seems to be a lot of not only misunderstanding but also maybe a lot of conflict. I am presuming that people may be aware that

the training packages exist but might see them as not being relevant. Is there a comment you would like to make on that?

**Mr Cremen**—It is very difficult to comment on that. As I said, it is an industry led process and it is supposed to capture the views of industry. The competency based system is to provide a platform for developing the skills that industry needs and then having a consistent assessment process to ensure that there is consistency across the modes or the different organisations delivering that training. So it is very difficult to comment beyond that.

**Mr RAGUSE**—I might just put it this way, then. In terms of the maritime industry, has it been flagged in your view as being an industry of particular need, interest or difference, hence why we are having this inquiry, I guess—

**Mr Cremen**—It has not been flagged with us at all. In fact, anecdotally, the work that we do with different parts of the sector, including the registered training organisations who are delivering training in the sector, suggests that the response to the training package has been overwhelmingly positive. Again I am caught a little bit between those views and the remarks that you are putting forward.

**Mr RAGUSE**—I understand the position you are in in terms of getting your head around this. On the issues of the current training packages, is there the ability to nest within higher-level programs? In other words, are there exit points—cert II, cert III, cert IV, a degree, an advanced diploma or a diploma? In your understanding, are the packages themselves properly nested so you have multiple exit points for different levels of skills?

**Mr Cremen**—Exactly right. There are particular qualifications that apply to different occupations, but there is also a framework or pathway which would provide for people to move along different levels of qualification, including into university-level qualifications.

**Mr RAGUSE**—So it is your understanding that, if you undertake a cert III and you exit somewhere, to get other skills and RPL you might plug in at level 5 or 6. Is that your understanding of the flex rule?

**Mr Cremen**—That is right, yes. It is meant to be a fairly flexible system to provide for, again, the needs of industry and the needs of individuals within the system to be able to access different levels of training.

**Mr RAGUSE**—I think that is why we are surprised that there seems to be a lack of different levels.

**Mr Cremen**—Yes, I know. I am surprised as well.

**Mr SULLIVAN**—I have been handed Ms King's booklet while she is down in the chamber. I hope I do justice to her questions and the issues that she wanted to raise. If not, I am sure you will be happy to receive some communication from her. In your submission, under 'Skill Shortages', you laid out a number of occupations on the ships that you have not assessed the labour market for, but you are anticipating that this will happen in 2008. We have had a number of submissions regarding riding crews—essentially, the maintenance teams who go on board a

ship and do not actually contribute to the running of the vessel but do small maintenance which means that the larger maintenance stops are reduced. Have you considered that aspect of crewing a vessel in the surveys that you are going to undertake?

**Mr Neville**—I will answer that question. Let me start by saying that there is a lot of anecdotal evidence around about the shortages in the industry, but the department has not a great deal of substantive evidence. That is why it is our intention to conduct a survey of the industry. To do that, we really need to have good engagement with the industry. On the sort of issue that you have raised—where you have related occupations that may not be specific to the industry but have an impact on the industry—we would hope that, in our initial discussions with the industry in terms of the information that they want to collect, the occupations that we should be covering in that survey would come out. At this stage, we are just putting together the shell of a survey. We have had very limited discussion with the industry so far, but I guess that, subject to the outcomes of this inquiry, it is our intention to go ahead with that survey. But it means that we are really dependent on full engagement with the industry. There have been occasions in the past when we have struggled to get that engagement.

**Mr SULLIVAN**—I am smiling, because it would be lovely for this inquiry to have the outcome of your survey rather than our report coming first!

**Mr Neville**—It depends on the timing of your work.

**Mr SULLIVAN**—October.

**Mr Neville**—Well, it may just about coincide—again, subject to the engagement with the industry. We would hope to have that all wrapped up within the next few weeks. We would be looking at running the survey, which would be a phone survey of employers in the industry, and we can obviously talk with other key stakeholders as well. It would be our intention to run the survey in about August. We can normally get some results of surveys of this nature out, at least in preliminary form, about six weeks later. So the timing of your report and the timing of the outcome of our survey are going to be reasonably close, and we may well have some preliminary results that we can provide to the committee.

**Mr SULLIVAN**—I am sure the committee would appreciate that. The next issue that the chair was going to ask you about goes to paragraph 40 of your submission—the additional training places and the priority occupation. I wonder whether there is anybody on the Transport and Logistics Industry Skills Council with a particular focus on the coastal shipping trade.

**Mr Cremen**—The Skilling Australia for the Future policy, which was part of the government's election platform, provided for an additional 450,000 training places for the VET system. A number of those places were to try and improve participation in the labour market, and a number of those places were trying to increase the skill levels of those people who were already existing workers, to try, I guess, to improve the levels of productivity that individuals were delivering. The program targets areas of highest skills issues or skill shortages in a broad definition, and there are particular occupations which appear as priorities on that list and qualifications which match to those occupations, which registered training organisations can provide training for. Ships engineer has already been mentioned, and that is currently on the list,

as are seafarers, so there are a couple of particular occupations which that program is responding to in the maritime sector.

**Mr SULLIVAN**—The third question I could not make sense of, so I may leave it to the chair to contact you directly on that, but it related to occupational health and safety on vessels operating in the coastal trade. I cannot ask you the question, so I cannot expect an answer, but I just flag to you that the chair may well contact you separately in relation to that.

**ACTING CHAIR (Mr Neville)**—There are a couple of things that I want to put to you. You say in your submission that some of the anecdotal evidence is not supported by the data. From the evidence we have received, there is a problem. It is pointed out that a lot of the skills on board that are undertaken by crews, especially on bulk carriers and the like, are the same sorts of skills that are of value to port authorities and the like, especially bulk-loading port authorities, and therefore there is a drain of labour to the ports that are integral to the mining industry, be that iron ore or coal. I think if you could drill down into those areas in your survey it would be very important.

Until recently, I had Gladstone in my electorate. There was a complete drain of personnel from Gladstone to the coalfields. Regardless of what surveys might show, the evidence that I picked up from industry in that town was that those shortages are around. Even the port authorities themselves—and this is why I suspect that they are poaching staff from the shipping companies—are losing their own staff to other sections of the mining industry. I would just like your comment on whether it will be possible in the survey to drill into those areas.

**Mr Neville**—As I said earlier, our coverage of this industry is not all that wide at the moment. As part of our skills-in-demand research work, we cover two or three occupations, but the work that we do in that area is to talk with employers who have recently advertised. If we are unable to find advertisements, we then try to cold-canvass employers to ask, ‘Are you having difficulty in filling these occupations?’ But there are only two or three occupations relevant to this industry that we cover as part of our regular skills-in-demand research, which is why we are now proposing a specific survey of the industry. The methodology that we will use is not to contact employers who have recently advertised but to contact employers in the industry to say, ‘We want to talk with you about your recruitment experience recently and over the last 12 months,’ and also to cover off issues about their future expectations, the difficulties they are having in attracting and retaining staff, why they are having difficulty and whether they are losing existing employees to other sectors. Those sorts of issues that you have raised will definitely be covered off in the survey that we are proposing.

**ACTING CHAIR**—Will you be talking to the port authorities themselves?

**Mr Neville**—On the basis of the discussions that we have with the industry, if they say that we should cover the port authorities, we will cover the port authorities. It is really up to the industry to indicate to us how wide they want the survey to go, but we can certainly cover the port authorities.

**ACTING CHAIR**—The other evidence we have been receiving—and, of course, the whole inquiry ultimately is about the re-establishment of coastal shipping in Australia—is that, at an industrial level, the quantum of wages is not a problem, but the flexibilities are a problem. We

had evidence from CSL, for example, making that very point. Will you be looking at such things as multiskilling, as an alternative to demarcation?

**Mr Neville**—We are running these surveys on a regional and industry basis all the time. We have two or three years of experience behind us now, so we have a degree of expertise with these surveys, but it is really up to the industry to indicate to us what issues they want us to cover. If multiskilling is an issue that needs to be covered off, as long as we can come up with a question that is going to enable us to get the information that is useful, then we are more than happy to include it in the survey.

**ACTING CHAIR**—Do you have any peremptory powers to include questions that you want?

**Mr Neville**—Absolutely.

**ACTING CHAIR**—I am suggesting to you that that would be one area to look at. One of my colleagues has mentioned riding crews for maintenance. Could we look at that as well? It is a very small microcosm that we are looking at. We are not looking at some big, wide, cinemascope view of shipping. We have a very small coastal shipping trade, and the fact that the government have asked us to look into that indicates that they want to see this sector enlarged. So, rather than take a fairly sanguine view of the survey, I think that, to get data that will be of use to the government, we really have to drill into the issues that industry is flagging to us. Do you take my point?

**Mr Neville**—Absolutely, but we are obviously not experts in this particular industry. We do not know all the issues that are around, and that is why we need to engage with the industry and get their views on what they are looking for. But of course, yes, we have the final say as to what goes in the questionnaire and what does not. Ultimately, we are also conscious that we are very much reliant on the industry and we are very much reliant on employers in the industry who are going to be responding to the questionnaire, so we have to come up with a survey, a questionnaire, that is easy to understand, and we obviously also have to take account of the burden that is placed on employers who are responding. We try to keep these surveys relatively short so we can increase the response rate that we are getting from the participants in the survey.

**ACTING CHAIR**—I see. It is quite obvious that this industry and its affiliated industries have a very fluid workforce. For example, as I said before, the skills that are used on board ship are very similar to skills that are used in the bulk-loading ports and in other port authority activities, which are similar again to the loading and extraction that go on in mining companies. So will we be trying to track those skills back into affiliated industries to try to put some measures on this fluid nature of the industry—on where people are coming from and going to?

**Mr Neville**—These are surveys of employers within a particular industry, but we can broaden it, look at a particular industry and then, as part of that, look at specific occupations and the demands for those occupations across other industries, whether it be mining or another associated industry. So, yes, we can incorporate that into the survey.

**ACTING CHAIR**—Good. Thank you for your evidence today and for bringing such a large and competent team to be with us. We trust that we can come back to you on some of these issues. If you were requested to provide other material, we would be grateful for it. You will be

sent a copy of the *Hansard* draft, to which you may make editorial corrections. We thank you once again for appearing before us today.

**Mr Maynard**—Thank you.

[9.48 am]

**HUME, Ms Maree, Principal Legal Officer, Attorney-General's Department**

**KELLY, Ms Elizabeth Ann, Executive Director, AusCheck Division, Attorney-General's Department**

**LOWE, Ms Jamie, Assistant Secretary, Business Development and Governance, AusCheck Division, Attorney-General's Department**

**WEBLING, Mr Alexander D'Arcy, Implementation Manager, Critical Infrastructure Protection Branch, Attorney-General's Department**

**ACTING CHAIR**—We will not be asking you to give evidence on oath but do ask you to recognise that these are proceedings of the House of Representatives and warrant the same respect as would attend to the House itself. I caution all witnesses that the giving of false or misleading evidence is a serious matter and could be construed as a contempt of the parliament. Having said that, you are most welcome. Who will be leading your evidence?

**Ms Lowe**—I will be doing that.

**ACTING CHAIR**—Could you please give us a five- or seven-minute overview of your submission. We will break into questions after that. If any of your colleagues wish to add something to your opening statement, that will be in order.

**Ms Lowe**—The work of the Attorney-General's Department impacts indirectly on a number of areas of the coastal shipping policy and regulation. As set out in our submission, the department is involved in international maritime law, the operation of Australia's criminal law in the offshore environment, critical infrastructure protection and national security and counterterrorism more broadly, and background checking of individuals required to hold a maritime security identification card. It is this last function that most directly impacts on Australia's coastal shipping industry. Ms Hume and Mr Webling represent the national security counter-terrorism part of the department's security and critical infrastructure division and are happy to take questions on those aspects of our submission. Ms Kelly and I represent the AusCheck division of the Attorney-General's Department and are happy to take questions in relation to the background checking process for maritime crew. If the committee has more detailed questions about some of the other aspects of our submission, we are happy to take those questions on notice, follow up quickly and provide you with a more detailed answer.

**ACTING CHAIR**—I was a bit bewildered by the emphasis being placed on coastal shipping from a security point of view. Could you give me a brief overview of where you see the dangers there? I would have thought with coastal shipping and people coming on and off the Australian mainland all the time that you would have a fairly stable sort of workforce on Australian shipping. I am not talking about second registers, which would have other implications. Just give us a bit of an overview of the security concern.

**Ms Kelly**—I would like to clarify the meaning of the question. Are you saying the emphasis in relation to background checking or the emphasis in relation to security policy more generally?

**ACTING CHAIR**—Both, actually.

**Ms Kelly**—We can speak to the issue of the emphasis on background checking. The policy framework for the scheme that we administer, the Maritime Security Identification Card scheme, including the definition of its scope, is entirely a matter for the department of infrastructure. The key feature of the scheme is that anyone who has access to a maritime security zone within an Australian port needs to have a card. So those questions about the scope of the scheme and the emphasis in the framework are really questions that the department of infrastructure are best placed to answer. Our role is to administer the scheme when they have defined the policy framework for us.

**ACTING CHAIRMAN**—How do you find that? Is it an area of great concern to you, or do we have those cards, rules and regulations at our ports largely to mirror what is happening in the international trade?

**Ms Kelly**—As I said, the policy settings are a matter for the department of infrastructure. My understanding is that they do that in accordance with the international standards that have been established. I know that they are implemented to different degrees in different countries. That is something that is monitored and monitored entirely by the department of infrastructure and they adjust those policy settings accordingly.

**ACTING CHAIR**—Do any of the security people have a comment on that?

**Mr Webling**—From the critical infrastructure protection perspective, the department takes an all hazards approach to the security of critical infrastructure and it considers that the offshore oil and gas industry is part of the critical infrastructure, so it works with the industry to try to help it protect itself. The industry is currently represented as part of the energy infrastructure assurance advisory group of the Trusted Information Sharing Network for Critical Infrastructure Protection. The energy group was formed in 2003, when the trusted information sharing network was created, and it is one of nine of these groups that are spread out over the whole of the infrastructure. The department looks at this part of the infrastructure in the same way it does with the others. The Attorney-General's Department is the lead government agency for the trusted information sharing network, but the secretariat for the Energy IAAG, as we call it, is provided by the Department of Resources, Energy and Tourism.

We discussed some of the issues associated with the engagement of offshore oil and gas producers at a meeting which was held in Perth in August last year, which included relevant Commonwealth, state and territory agencies and the offshore oil and gas industry. As a result of this meeting, an offshore oil and gas security forum is in the process of being created. The forum is a joint initiative of industry and the Australian government. We are very much about working with industry to help it protect itself on these issues. The forum provides a formal mechanism for regular consultation and information sharing on all hazard security matters. As I mentioned before, we take an all hazard approach to security. We are most concerned about the effect rather than who or what causes it and the effect then on the infrastructure and therefore the economy and the wellbeing of Australians.

**ACTING CHAIR**—Coming back to the terms of reference, which is coastal shipping, and having regard for your earlier explanation about who sets up the framework that you then administer, is this area of coastal shipping one of administrative difficulty for you or for your department? Do you find there are a lot of breaches? We would like to get the flavour of how security is working on coastal shipping, because anything we can recommend to the government to facilitate the enhancement of coastal shipping obviously is part of our charter. So we rely on you to tell us that perhaps the rules need to be tougher or, no, it is going well or, no, we have a lot of breaches. Just give us a flavour of what you see in respect of coastal shipping.

**Mr Webling**—I am sorry, but I cannot comment specifically on breaches and suchlike. AusCheck may be able to comment on the specifics of how well that is going. We would have to refer you to the department which administers the act.

**Ms Kelly**—As part of our role in providing services to the department of infrastructure that is the regulator in the area, we are a member of the Maritime Industry Security Consultative Forum and, whilst that is an amalgamation of both coastal and other shipping, clearly issues of compliance are raised from time to time. The department of infrastructure, the Office of Transport Security, is responsible for compliance and runs a compliance program that determines levels of compliance. From my general knowledge as a member of those forums I can tell you that issues of compliance arise from time to time, but the detail of that is probably something that is best explored with the department of infrastructure.

**ACTING CHAIR**—But you enforce it, do you not?

**Ms Kelly**—No. We are merely a service provider. Our role under the maritime identification card scheme is to provide an input, which is the criminal history and intelligence check, to a decision made by an industry body where the regulatory framework is set by the department of infrastructure. So we are really a specialist provider of a component of a decision made elsewhere.

**ACTING CHAIR**—But if someone has been issued with a card and has, perhaps, a bit of a dodgy background, do you start to notice, for example, whether there were breaches at particular ports by this person? Is there a continuum that updates that?

**Ms Kelly**—Those things are monitored. The compliance with the framework in the particular issue that you talk about would be whether or not a person had been issued with a card without passing the background check. If you have an adverse criminal history the legislation absolutely forbids you from being issued with a card by the industry body. There are various appeal mechanisms that you can go through to review that decision and have it looked at afresh by the secretary of the department of infrastructure. But a card cannot be issued on the basis of our decision in the event that there is an adverse criminal history. There are other mechanisms persons can follow. In terms of the compliance, each maritime industry participant that is an issuing body has an MSIC program. That is audited regularly by the Office of Transport Security. So the audit of the records that they keep and the tracking of how they have used the material that we have given them to make their decision is a matter for the department of infrastructure.

**ACTING CHAIR**—Having regard to our terms of reference, could come back to us with ways in which security matters could be streamlined for coastal shipping, or are you happy with the system the way it is?

**Ms Kelly**—In a sense, we are very small part of a much broader system.

**ACTING CHAIR**—Yes, I understand that.

**Ms Kelly**—The very small part of the system that we administer is really only one very small component. We are only one layer of security in a very multilayered approach to maritime security. Without having visibility of the full number of layers, it is quite difficult to assess the importance of a vulnerability.

**ACTING CHAIR**—What you are saying to me is that, if we want to get a feel for what the security agencies and regulators felt, we would need to go to what forum?

**Ms Kelly**—The Office of Transport Security. All maritime industry participants have to regularly notify breaches to the Office of Transport Security. They keep figures of the incidents, reporting and frequency.

**ACTING CHAIR**—So if we spoke to the department of infrastructure on the broad policy and to Office of Transport Security on the breaches, that is where we would get our info?

**Ms Kelly**—The Office of Transport Security sits within the department of infrastructure and they are ones that all breaches have to be reported to. They respond to those breaches at a strategic level to industry.

**ACTING CHAIR**—Okay. In that case I withdraw the request. You have pointed us in the right direction.

**Mr RAGUSE**—You have covered most of this. We have talked about background checks and security in particular. We have experienced the access to ports and I think the security is very solid. Threats of course can be of any range and, as you say, it is probably about outcomes. It is probably a difficult question to answer but, in terms of potential deficiencies, are there legislative things that we need to look at as a committee or recommendations that we need to make to government to better understand the threat? In other words, there is the issue of whether I can walk onto a port, but to me there are a whole lot other incidences that can occur that are not necessarily deliberate acts. It could be an air incident that means a whole lot of things happen on the port. There could be issues of infection and viruses through people or animals. Are there deficiencies in the overall concept of security and the legislation that needs to support that? I know it is a difficult one to answer but is there something that this committee needs to think about and look at? Is there something in your role that you feel we do not currently understand?

**Ms Kelly**—If you are asking us about deficiencies in the maritime transport and offshore oil and gas security legislation, that is a huge question. It is a very complex system whereby general principle level guidance is given to industry and then each industry player develops a very detailed approach in their maritime security plan, which they do in consultation with the Office of Transport Security and the department of infrastructure. There is a certain amount of

adjustment to the enactment of the principles in particular ports to take account of particular local considerations. It is a very, very complex process that the department of infrastructure does in consultation with industry. It is not something that easily lends itself to us pointing out one feature or another that might be an overall deficiency.

**Mr RAGUSE**—I understand. I guess I am talking very strategically in terms of what determines a threat and whether we as a country are looking at the threat. So it is really strategic as opposed to what, specifically, we do on the ground.

**Ms Kelly**—I can tell you that threat is informed by the Australian Security Intelligence Organisation, which determines the level of threat. It then provides that to the department of infrastructure, which then provides that to industry. So that information regularly flows through, and that is used to adjust the settings in judging how various maritime security plans are operating and whether or not further modification is required. So that threat information does flow. It does not flow to this part of the Attorney-General's Department, certainly—we are not directly part of that chain—but it does flow through regularly, and industry is provided with regular briefings about the nature of the threat that is facing the maritime industry, largely through the Maritime Industry Security Consultative Forum, which meets three or four times a year. Then, in the event of particular incidents, the Office of Transport Security has relationships with all of the major maritime industry participants about those issues.

**Mr RAGUSE**—At what stage does your department react or interact proactively? Where would you place yourselves in terms of that cycle?

**Mr Webling**—As I described, we have the trusted information sharing network. We have a specific group for the transport area and also for the energy area. The role of that is actually on the proactive side of things. In the cycle of looking at a threat, part of it is the preparation and preparedness, and then it is the response and suchlike. The trusted information sharing network helps organisations be ready for an incident, whether that is a terrorist incident or, as you alluded to, pandemics or stuff like that. So we work with private industry, which owns 90-odd per cent of our critical infrastructure, to try to help them be ready for incidents. The other side of it—for instance, if there is a specific threat to a port or suchlike—is handled through the intelligence agencies and the Office of Transport Security. So it is a two-stage approach, but they are very much blended. One is about trying to work to make sure that they have a level of readiness for any incidents, and the other, in the event of an incident, is to help counter that particular incident.

**Ms Kelly**—Perhaps it might be useful to tell you the basics. Security within a port is, firstly, the responsibility of the port operator. So all of the ports have a security capability within them. In the event of an incident that is beyond the capability of the security function within the port, the local police force of the state or territory in which the port is located is responsible. So it is a state and territory police responsibility. If the incident is beyond that capability or, for example, is a terrorist incident, that would activate the national counterterrorism coordination mechanisms. The Attorney-General's Department, which is the home of that mechanism, would then become involved, activating all of the state and territory counterterrorism contacts, the national counterterrorism plan and the national crisis centre. But that is really only for terrorist incidents. The vast bulk of incidents that occur within ports are handled either by the security police within ports or by the state and territory police.

**Mr RAGUSE**—Sorry, I have one more question. There are differences between coastal shipping, as a way of freight movement, and land based transport. What differences exist between them legislatively and security-wise? I know the security side, I am sure, but what difference is there legislatively?

**Ms Hume**—The criminal offences, and certainly the terrorism offences, play equally offshore and on land and would be investigated in the same way as they would be on land. There are some logistical issues. Obviously the local police forces—the state and territory police—rely on Commonwealth agencies to provide them with support to get to crime scenes that are offshore or once the ship is taken into port, but from the criminal offences perspective they would apply equally offshore and on land.

**Mr RAGUSE**—I have one last question.

**ACTING CHAIR**—Another last question?

**Mr RAGUSE**—Yes, I just thought of something.

**ACTING CHAIR**—The other was the penultimate question!

**Mr RAGUSE**—Without asking you to suggest a recommendation to this committee, what recommendation could we as a committee make that would make you guys think, ‘Gee, we haven’t thought about that’? If we talked about underwater knitting becoming something that we do, for example—what is it that we might do that you haven’t thought of, or have you basically got everything covered legislatively?

**Ms Kelly**—I think that is another question that lends itself to kind of an easy answer, and we are bit players in setting the policy. Certainly, in my area of responsibility, the distinction between coastal and other shipping is not a significant one and so what will improve the regulation of coastal shipping is not really a significant issue for the policy framework in which we work. I do not know if anyone has anything to add to that.

**Mr Webling**—I would support what Elizabeth Kelly said in that, whether it is a local coastal ship coming into a port or whether it is a big bulk tanker, it is just the size of the thing. From a security perspective it does not really matter all that much.

**Mr RAGUSE**—Okay. I think that is the response we needed to know.

**ACTING CHAIR**—Is there an organisational chart for these security responsibilities and the forum and so on?

**Ms Kelly**—The Office of Transport Security have all of that material, and because they own the policy framework they are the ones who have various representations of how an incident would move through the system.

**Mr Webling**—I would be happy to provide the committee with a diagram of the trusted information sharing network if that would assist.

**ACTING CHAIR**—That would be helpful, yes.

**Mr SULLIVAN**—I will make a comment while you guys take a deep breath, because I know that everything you have been answering questions about was not part of your submission and I am actually going to ask a couple of questions relating to your submission. The comment that I would make—and I do not want you to comment on it—is that from reading your submission I felt some tension between your department’s idea of what is good administration in relation to the territories and the reaction from government, particularly in respect of Norfolk Island. You can tell me if I am not correct, but your submission goes to making sure that, firstly, this committee does not make any decisions that adversely affect the situation with the Indian Ocean territories and, secondly, we do not make recommendations to the minister that upsets the existing arrangement; it seems that you are quite happy with that.

And then, in relation to Norfolk Island, I think that you are pointing out that little action has been taken despite a large number of recommendations. I do not expect you to comment on that. My first question to you is: the Joint Standing Committee on the National Capital and External Territories is undertaking hearings at the same time as this committee; have you been before them and made a submission to them in relation to the shipping requirements for these territories?

**Ms Kelly**—I have to apologise; we do not have anyone here from the territories division that is able to speak about the territories responsibility within the department. And I am not sure that, from the department’s perspective, it was obvious that that issue was squarely raised by our submission. We might have to take it on notice, but it would be helpful if you were able to point to the parts of our submission that you think raised these issues. We can certainly take it on notice and get you the answers to those questions.

**Mr SULLIVAN**—Well, I am looking at submission No. 27, which has come from the Territories and Native Title Division of the Attorney-General’s Department, dated April 2008. Is that the one you have in front of you? It does not have an author’s name.

**Ms Kelly**—I apologise, but we do not have that submission in front of us. We were not aware that that was a submission that we were required to speak to today.

**Mr SULLIVAN**—Okay. That is fine.

**Ms Kelly**—They appear to have put in a submission separately to the other parts of the department.

**Mr SULLIVAN**—They have been well grilled on the issues of background checks and security reports and stuff like that.

**ACTING CHAIR**—So you are not across this Norfolk Island stuff at all?

**Ms Kelly**—No, I apologise. That division is not here and we were not aware of that submission. It is not within any of our areas of responsibility.

**Mr SULLIVAN**—You are not going to be able to answer. That is fine. I will ask the secretariat to see if they can have somebody from that section added for five or 10 minutes at our hearing tomorrow. There are a couple of questions that I would like to ask and I hope that I can get somebody.

**ACTING CHAIR**—It would be helpful if we could get someone from your department to be available to the committee. It need not be a long session, but it is just so that we can get the context of these Norfolk Island issues, and Cocos and Keeling too—the IOT.

**Ms Kelly**—I will ensure that that happens. I apologise.

**ACTING CHAIR**—Can you liaise with the secretariat to make sure that we get a time?

**Ms Kelly**—Yes.

**ACTING CHAIR**—Thank you for your evidence today. I am sorry we put you in that awkward situation, but these things happen. I would very much appreciate if we could get that organisational chart so that we understand how the various elements of security operate. We possibly will not be coming back to your section of the department, but we would appreciate contact with the section that put in the Norfolk Island comments and we will see if we can deal with those in our inquiry. Thank you for attending.

**Proceedings suspended from 10.17 am to 10.30 am**

**KLOSE, Mr Peter Douglas, Chair, Transport Committee, Cement Industry Federation**

**CHAIR**—Welcome. Is there anything you would like to add about the capacity in which you appear today?

**Mr Klose**—I am here as chair of the transport subcommittee of the cement industry's action agenda and also the transport task force, a subcommittee of the CIF.

**CHAIR**—I just need to remind you that, whilst we do not require you to give evidence under oath, this is a formal proceeding of the parliament and should be treated with due respect. It is also incumbent upon me to remind witnesses that giving false or misleading evidence is regarded as a very serious matter and could be regarded as a contempt of parliament. We have not received a submission from you. We did have Adelaide Brighton Ltd come to our—I am sorry; I do have a submission in front of me. We have received one from Adelaide Brighton as well which is consistent with your submission. Do you wish to make a brief statement in relation to your submission or any other introductory remarks?

**Mr Klose**—Good morning to you, Madam Chair, and to the committee. I will make a short opening statement. The Cement Industry Federation is a national body representing the Australian cement industry and it comprises the three major Australian cement producers: Adelaide Brighton Ltd, Blue Circle Ltd and Cement Australia Pty Ltd. Together, these companies account for 100 per cent of the integrated clinker and cement supplies in Australia. The CIF welcomes the opportunity to provide input into the government's inquiry into coastal shipping policy and regulation.

The Australian cement market is approximately 10 million tonnes per annum. That sounds like a lot, but it is very small in world terms. For example, just to the north of us, China's current cement consumption is 1.2 billion tonnes per annum. I think that puts the cement industry in perspective. But we know that cement is a vital commodity for the Australian economy, not only as a critical input for the Australian construction industry but also increasingly in resource recovery and reuse innovation, and in both of these cases it provides significant economic and social benefits.

I mentioned that there were 10 million tonnes of cement used in Australia. Of these, approximately seven million are carted in ships. As a result, we are very interested in the outcome of this inquiry. Cement has a very low value-to-weight ratio. I know that members here probably still think a bag of cement costs too much! But in fact as a commodity it has a very low value-to-weight ratio. As a result of industry rationalisation which has occurred over the last 20 years, Australia's internationally competitive plants lie mostly in remote regions of Australia. I know members of the committee are well aware of that. They are outside the capital cities' metropolitan areas. For example, Cement Australia's Tasmanian plant has a capacity of 1.3 million tonnes per annum. It is at Railton, just south of Devonport. But the local market is only for 150,000 tonnes. So, without a way of getting it off the little island to the big island, we do not have a business there. Effective and efficient shipping is therefore vital for the long-term sustainability of the cement industry.

The cement industry is currently completing an action agenda in which the transport sector formed a key recommendation. I commend this document to you—*Punching above its weight: Australia's cement industry*—and note that the transport goal which is mentioned in that document is to ‘reduce the use of road vehicles to transport product, by transferring greater freight loads to bulk rail and sea transport where it is efficient to do so’. I guess that is what we are here to work out—how to make it more efficient to do so. We have been working over the last two years on ways of doing that.

We have our submission, and I think it outlines the major points. Rather than taking any more time, I will keep my introduction short to allow questions and discussion. Thank you for the opportunity to present to the committee today.

**CHAIR**—Thanks very much for that. Were you tabling that document for us?

**Mr Klose**—Yes, I would like to.

**CHAIR**—Can I ask that someone move that that be an exhibit? Thanks, Mr Paul Neville. It is so moved. We will accept that as an exhibit, as part of the evidence of the inquiry. I apologise—I read your submission some time ago, which is why I was being a bit blank there. There were a couple of issues I wanted to raise. You raise in your submission the interaction between the two state based schemes, in Western Australia and Queensland, and obviously the national scheme. We have heard a little bit of evidence about that, but I really would like you to put on record what sort of grief that causes you, what the interaction between those schemes actually is and what impact that has had on your industry.

**Mr Klose**—It is rather timely that we should be discussing this, because in the last week we have had an issue associated with this dual permitting system. My understanding is that we have the federal system, with the CVP and the SVP, which is well documented in the submissions, and there is also, I believe, the Constitution. It was tested some time ago that this covered interstate trade and that intrastate trade was still the domain of the state governments. Hence, we have another system for intrastate trade.

Many businesses trade either intrastate or interstate, and there are businesses such as members of the Cement Industry Federation who trade both intrastate and interstate. By way of an example, there is a bulk cement clinker, which is a golf ball sized product. From time to time, to meet fluctuations in demand and also production issues, we need to get additional shipping capacity and often at short notice.

To secure shipping on the coast under a permit system, we have to make sure that we can get a permit, but to deal with the shipowner you also have to enter into a contract. The committee would be well aware of the cost of engaging a ship and entering into a contract. Often we are working with time periods of, say, less than two weeks and often shorter periods if there has been a plant failure to maintain stock on material. Effectively, we have to order a clinker ship, commit to the ship with a charter and engage in a contract of affreightment prior to receiving the permit. We have found that with the state system in Queensland at times it takes much longer to go through the process, and I have been in the situation personally where I have had to sign a contract of affreightment before receiving the permit, and so the ship was at the pilot station and yet I still had no permit allowing me to engage in that.

Just this week we had an occasion where we were using a permitted ship to travel in a booked cargo from Brisbane to New South Wales—Sydney. But due to a plant breakdown in Brisbane we wished to change the direction and where the ship was going to pop into Brisbane, but that involved a separate permit. So we had the permit to go to Sydney but we did not have the permit to go to Brisbane from Gladstone. It is actually very difficult to then go through the processes, particularly when the processes are separate. It is a separate type of process and we find it, in this day and age, rather a hangover from the past that there would be two systems.

**CHAIR**—It is my understanding that you can seek an exemption under section 8AA. Is that right?

**Mr Klose**—That is right, and it is my understanding that that is particularly so for ships that are on the coast more regularly.

**CHAIR**—So in the circumstances you are describing you have had no choice but to pursue those—

**Mr Klose**—Yes. I would also argue, irrespective of that, that there should be a commonality in the systems.

**CHAIR**—I assume there are different conditions imposed, if we take the Queensland versus the national system—

**Mr Klose**—They are very similar in their requirements. The process of approval is different.

**CHAIR**—So it just takes longer.

**Mr Klose**—It has in recent times.

**CHAIR**—Thanks for that. One of the other comments you make—and that we heard also from Adelaide Brighton—is just how competitive the international cement industry is versus the Australian industry and that there were concerns around adding any costs at all to the Australian industry which would mean that it would be cheaper to import cement from China. I really want to drill down to how realistic that is. What are the amounts of imports of cement from China occurring currently versus what is produced domestically? Do you have any figures on it?

**Mr Klose**—The cement industry is certainly what we call ‘import parity constrained’. We have many ongoing discussions with the department. Because the amount of imports is less than 10 per cent, they question us and say, ‘Hold on. Are imports really part of an issue with you?’ In fact, all of our members would confirm that the business is certainly import parity constrained and the setting of costs and pricing within our environment, despite the low volume, is constrained by imports. The reason for that is the large fixed cost involved in manufacture and the loss of contribution margin from a small loss of volume. They will protect their market at all costs. Over the last 20 years the industry has undergone significant rationalisation. The plants that are now operating in the majority—there are a couple of smaller plants—are internationally competitive plants at internationally competitive costs.

The other component of this is that the international tradable price of cement is not at full cost recovery but at margin cost recovery. Therefore, the extreme competitive nature of internationally traded cement means that the industry must keep at the very cutting edge of low cost. So, despite the geographical boundary which occurs because of the cost of shipping, if that price was set in Australia neither overseas nor local manufacturers would be able to sustain a business. In other words, it is the quantity at the margin.

**CHAIR**—It makes sense. From what I hear, there are cement shortages all over the place and people are pretty desperate to get your product, so yours is a pretty high-demand product at the moment. Of course, it can change as economies change. It would strike me that you are in a bit of a boom industry at the moment.

**Mr Klose**—Absolutely. At the moment we are supplementing Australian manufacturing by some 15 to 20 per cent. We just cannot produce enough. Like many other industries, the boom has caught the cement industry out and there are massive investments going on at the moment to try to catch up, just like all the other infrastructure.

**CHAIR**—And there is no indication that that is particularly slowing down. There seems to be more investment in roads and all sorts of other things.

**Mr Klose**—Despite that, pricing is not moving. I know that a lot of the CEOs are frustrated by that, but it is actually constrained by the import parity pricing, despite the heavy demand.

**Mr NEVILLE**—When you get down to the business of freight—and that must be one of the factors at the margins—notwithstanding Adelaide Brighton's evidence, what is your experience of the dollars per tonne cost of loads of cement coming from, say, Asia to Australia as against shipping cement around the Australian coastline?

**Mr Klose**—My experience is that the cost from overseas is often less than the cost of shipping—

**Mr NEVILLE**—Can you give us a bit of a feel for that off the top of your head?

**Mr Klose**—It is less than or similar to—

**Mr NEVILLE**—Yes, but we are arguing the case for a coastal shipping trade and we say that one of the reasons is that we need to have our own secure building supplies in this country. But one of the problems is that cement is cheap overseas and it is cheap to freight it to Australia. We need to have some comparison about the cost per tonne. What are the comparative costs in bringing it from Hong Kong or somewhere to Australia as against taking it, say, from Gladstone to Perth? I think we have some costs outlined in the Adelaide Brighton submission, but I am interested to hear your take on it.

**Mr Klose**—Yes, and we should say that in this it varies, depending on the shipping demand worldwide.

**Mr NEVILLE**—Could you come back to us with that?

**Mr Klose**—Yes, I could.

**Mr NEVILLE**—Thank you.

**Mr SULLIVAN**—You talked about the double permit system causing some difficulties and indicated that you were involved. Does that mean that you are from Cement Australia?

**Mr Klose**—With another hat on, yes, indeed.

**Mr SULLIVAN**—Okay. I just thought it was a bit rich for your association to come here and then for us to actually discover that you are from Cement Australia, which sold ships to CSL to avoid the Australian crewing cost components—to come here and then complain that the regulatory regime on those ships is too tough. It seems to me that a number of people have come and argued that the permit system has got some difficulties in it, but one of your organisation's members, Cement Australia, is really not the one to come here and take that high moral ground. Can you explain to me why Australian registered vessels, supply chain vessels, needed to be replaced by permit vessels and why it would be that in making that financial decision you did not understand the difficulties that that would then give you in operational capacities?

**Mr Klose**—Sorry, would you like me to speak from the CEO's point of view?

**Mr SULLIVAN**—No, I think I just made that point because I did not realise, until you talked about Gladstone, that you were from the company that is the one that I am looking at and interested in.

**Mr Klose**—Can I say that the cement industry supports an Australian shipping industry—I think that is contained within our submission—and all the members support an internationally competitive shipping industry. I think that is the challenge that is set before us. Having read other submissions, I think we are trying to work our way through that. What we are seeing over time is that what has been done so far has not given us that outcome. So the cement industry is internationally competitively exposed, and as an industry we are investing hundreds of millions of dollars—billions of dollars—to become internationally competitive. So it is incumbent on us to work through that and find that solution. We need to have access to international shipping and our coastal shipping needs to be internationally competitive. That is where I think we find ourselves, hence the comments around the permit system and the like. The reasons why Cement Australia may have sold the shipping are manifold, and it is not within the scope of this committee to make comment on that. It is a commercial operation.

**CHAIR**—That is okay; that is not the capacity in which you are appearing.

**Mr RAGUSE**—Following on from that, a previous witness in this inquiry, Mr Chellew, was quite annoyed and frustrated about a whole range of things. He continually made statements on industrial issues like, 'We can't go back to the way things were seven years ago.' However, when we asked him about his broader knowledge of the industry and for suggestions about how we could change things, he had little understanding of that. So it appears that there is a notion that we as a committee or as a government want to take the industry backwards. But we want to grow the industry, which means looking at all of these components. You suggest that the current situation, as opposed to growth in the industry, is one that is sustainable in terms of the use of

permits and other things. If you read some of the *Hansards* of this inquiry you will see that I very much push training as a way to do that. But someone has to pay for the training.

The introduction of permits into the industry was presumably to allow the industry to be more flexible and grow; it is either a coincidence or a direct result of that that the industry is actually in demise. With the decrease in the number of Australian owned ships and shipping capacity and the issues of recruitment and training, I am a bit concerned that there is a view—not right across the board but from certain sectors—that we can simply get rid of the cabotage and everything will be fine. The reality is, though, that to sustain a training system we need to have some structure. You talked about international competition and the view that that may all change. We know now that the cost of purchasing new ships, because of the demand overseas, has increased substantially. I presume that demand could mean increased wages or salaries, even on those foreign vessels. I want your comment on the following, given that context.

Is there a view that to build the system in Australia—without cabotage and without ensuring that we have good training and that we retain and attract the correctly skilled people to be able to grow this industry—we should just put all that aside and become completely international and make the industry flexible to allow the shipping costs to be lowered? By the same token, we talk about how, in the cement industry, it seems okay to import material because it is cheaper and we can value-add here—it is almost a contradiction in terms. As a business, yes, you do seek to lower your costs. But when you are looking at increasing productivity, which is one way of lowering costs, there seems to be the notion that to have a structured—I will not say ‘restricted’, because it is not that—labour force training regime is at odds with that. I know that is a long intro, but can you make some comment on that?

**Mr Klose**—Yes, although I might need to seek some clarification. The Australian cement industry is fully exposed to international competition. We have put applications and sought anti-dumping submissions over the years, with limited success. In fact, we are fully trade exposed. That is how we are and that is the way our business is designed. Hence I think we need to be internationally competitive in our shipping. There are many issues around what strategic businesses we should be in, which I will comment on later. Labour market reform is mentioned in other submissions I have seen, where there were some estimates of the difference in cost between foreign labour and local labour and a whole lot of discussion around that. Our comment on that is that we need to engage in labour market reform and find ways of becoming more efficient, which we did not succeed in doing at the last tripartite get-together.

Many industries, and certainly the cement industry, benefited from the reforms of the eighties. The productivity increases within the cement industry and within other heavy industries have been significant. For some reason they did not come through in shipping. We need to know why that is the case this time. Certainly, the Cement Industry Federation supports employing Australian people; it says there should be no compromise in safety, standards and all those sorts of things on ships. That goes without saying.

The question then is: how does the shipping industry do what the rest of industry has done? What stops us? We have reduced the numbers on the crew from what used to be the high 30s down to 17 or thereabouts for a typical bulk carrier, and yet the costs have remained. Why is that the case?

**Mr RAGUSE**—I guess that is what I am exploring.

**Mr Klose**—There are others in the shipping industry directly who will be able to better comment on those things. However, the cement industry can see that there is labour market reform which needs to go on. It went on over the last 15 years but the outcomes were not as desired. The cement industry sees that as an area that should be able to produce those increases in efficiencies, because the fixed costs of running of a ship, of which the labour is a substantial amount, need to be sorted. Does that help?

**Mr RAGUSE**—It does, yes.

**CHAIR**—A large focus of your submission is around the labour costs and what happened, and you just alluded to it before. My understanding is that part of the tripartite discussion was around crew reductions, and my understanding is that that actually occurred. The crew reductions themselves did not change the cost differentials at all between international and national shipping?

**Mr Klose**—I would ask the committee to seek answers from others who have had more in-depth experience in those things. I would rather not comment. But the net cost—my understanding is that there were other costs that came about; the numbers went down but other costs increased. From my experience I know, for example, that the contractor costs that were needed to run the ships went up a lot. I would rather leave that to others than make a comment myself.

**CHAIR**—It is just that you have put it in your submission. Your submission is quite direct around labour costs.

**Mr Klose**—Sorry, I would not like to run away from it. That is exactly what we would like to see: these labour reforms producing lower costs in the end.

**Mr NEVILLE**—It is in your submission. You cannot just say, ‘We say that,’ and then step away from it. In fact, you have run vessels yourselves. Tell us where the efficiencies have to occur. We have CSL telling us it is not the quantum of wages that is the problem but rather the flexibilities and productivity. Tell us your experience. The chair is quite right; if we do not get it from people like you, we cannot just flick-pass it to the next person down the line. We need to hear it. Your industry is one that is critically affected by this and surely you have a view on it.

**Mr Klose**—Certainly we have a view, as we have put in the submission, in terms of the need for labour reform and the flexibility that comes through applying the principles—I do not have knowledge that is specific enough to answer some of the detailed questions.

**Mr NEVILLE**—Fair enough if you have not got the knowledge. I think the chair’s question was quite valid.

**Mr Klose**—I would be happy to come back with further details on that.

**CHAIR**—As you say, often these things are a matter of give and take. It is clear from your submission that you believe the cement industry believes there should be significant labour

reform in order to reduce costs in the industry. What sorts of things do you think industry is prepared to negotiate on, to give up, if there are labour reforms?

**Mr Klose**—It is an interesting question now that all of our members are out of the shipping business itself. Can I introduce that response by saying this industry requires specialised ships and we are very concerned about our ability to use general coastal shipping. We are constrained to very narrow types of ships that we can use. In terms of flexibility, the industry has commitments—I am finding it difficult to answer because as a non-shipowner now I am thinking what else. I am sure that the industry is committed to training and supporting training, making sure that the ships are of the right quality and providing resources and those sorts of things. But I guess I am not able to comment in terms of what the shipping companies would be doing in those terms. It is integral to us to have access to cement type ships and carriers and to maintain that international competitiveness. I know that all our members would like to be able to ship their product further. In fact, the inability to economically ship from the east coast to the west coast of Australia is an issue for the industry. I guess the opportunity is that there would be more tonnage.

**CHAIR**—Yes. I am sorry to ask you this, but as someone who was formerly in the industry, formerly shipowners, who took the decision not to, what do you think would stimulate that east to west coast trade? What sorts of things are needed to actually stimulate that as an industry?

**Mr Klose**—There are definitely commercial issues and demand issues that would do that. There is also critical mass and cost. It is a cost issue that drives imports into Western Australia rather than shipping them across from the east coast.

**Mr NEVILLE**—You are saying there is not sufficient backloading. Is that the idea?

**Mr Klose**—That is true, there is not sufficient backloading. How much we could get around by the reforms would be an interesting point to think about because we are on specialty carriers, although there are carriers around that can carry both cement products and general bulk cargo. There would be opportunities there. But certainly so far with the coastal shipping costs we have not been able to see that trade be sustainable. I believe that Adelaide Brighton did it for a short period of time from Adelaide to the west, but only for a short period of time.

**Mr SULLIVAN**—I noticed from your answer just a few moments ago that you indicated that your industry needs specialised ships. I accept that. I think everybody understands that that is the case. You used to own them. The permit system was designed to fill gaps where we did not have ships in the Australian fleet. I can think of a thousand arguments for relaxing the permit system, but we are going to hear a little later from people who are a bit concerned about reflagging vessels that are trading back on the Australian coast. I need to understand more why your industry felt the need to divest itself of the specialised ships and then use permits which were designed to fill gaps in the shipping industry in order to move your product. I need to understand that about your industry so that I can go forward in the thinking I am having. If you cannot answer, perhaps you can undertake to provide the committee with an answer to that. It may be financial or technical stuff; I do not know.

**Mr Klose**—The decisions that Cement Australia took to divest its ships—and I am sure this would be no surprise—were such that, in its contract with CSL, I am sure that it has the ability to

maintain supply, and that would be its primary role. I am not sure whether Cement Australia, in its sale, would also be interested in the shipping industry. It is more about securing its manner of supply to make sure that it is able to carry its product. For various reasons it has got out of the shipping industry.

**Mr SULLIVAN**—Those are the things that I want to understand better—and I am not really picking on Cement Australia so we will talk about the industry. You talked about the constraints of import parity and all that sort of stuff. I need to understand why this became a necessary way to go. If there were no permit system, if Australia had not introduced a permit system for the quite narrow purposes for which it was originally introduced, you may have had no option. What would then have happened to your industry? Those are the kinds of questions I am looking at. As I say, it may be something that you are not capable of answering.

**Mr Klose**—I think that it is not actually the reason Cement Australia got out. I think I can say—because it is on the website for Holcim, very much so, as one of our shareholders—that it is a cement industry and it needs to put its assets into cement. One of the prime reasons that Cement Australia got out of shipping was the assets—it needed to spend its resources on cement, not on ships. I hope that helps clarify that it is not related to any of the issues you have raised. I am not saying that they are not there, either; I am just trying to give some indication that there are many other reasons.

**CHAIR**—In terms of the supply chain, there have been a number of companies that have done similar things. I want to ask you a little bit about some of your experiences at ports and about access to berths. We have had some evidence to suggest that ships engaged in the coastal shipping trade at some ports are getting bumped and have to wait a substantial time while international ships are in. Has your industry had any experience of that? Is there any evidence you would like to give us around that?

**Mr Klose**—We find ourselves a relatively small player, particularly as we are not black or red. Our greyness does not seem to carry as much weight and our ships are somewhat smaller. Where we have multi-user common berths, we find that the lack of infrastructure is having significant costs on our business.

**CHAIR**—Are there any specific ports you want to mention?

**Mr Klose**—Newcastle is particularly bad for us; Glebe in Sydney is also difficult. We are fortunate that QLC—the old QCL from many years ago—built the wharf at Gladstone, so it has some priority berthing, but we find it difficult with the lack of infrastructure that is there, as do other common users at the moment.

**CHAIR**—Does that add to your costs as well?

**Mr Klose**—Significantly.

**CHAIR**—Do you have a vague figure you can give us? A definitive figure would be great.

**Mr Klose**—Most of our ships are between 10,000 and 25,000 tonnes. Demurrage rates at the moment are between \$20,000 and \$40,000 per day, so a day's hold-up is worth \$40,000. On 10,000 tonnes, that is \$4 per tonne per day.

**CHAIR**—If there is any information you would like to provide us around that, it may be helpful to send me a case example. We have that statement on the record, but if there is anything else—we are quite interested in that as an issue.

**Mr Klose**—I think we have had some other examples as part of the action agenda, so I should be able to do that.

**CHAIR**—There may well be something in that. Thank you very much for appearing before us today—you have been in the chair for a while. As the secretariat starts doing some drafting for us, there may be some additional information—points of clarification of your evidence—that we may want from you. The secretariat will formally write to you if that is the case.

[11.10 am]

**BYRNE, Mr Martin, Assistant Federal Secretary, Australian Institute of Marine and Power Engineers**

**CHRISTIANSEN, Mr Henning, Federal Secretary, Australian Institute of Marine and Power Engineers**

**CHAIR**—Thank you very much for coming before the committee again. Welcome. As you would be aware, I am not requiring you to give evidence under oath, but this is a formal proceeding of the parliament and should be treated with due respect. I need to remind you that giving false or misleading evidence is regarded as a serious matter and may be regarded as a contempt of parliament. You have given us a supplementary submission. We have only just received it, so my apologies—many of us will not have had the opportunity to get across the detail of that. You have obviously been listening to some of the evidence that we have been gathering along the way. It would be very helpful to have your views on some of that. Would you like to make an introductory statement in relation to your supplementary submission or things that you were not able to cover in your previous submission?

**Mr Byrne**—Yes, indeed—that is exactly what we would like to do. On the first occasion, on the day of the first hearing in Sydney, we were asked quite a number of questions by committee members about the content of our initial submission. We have tried to address as many of those questions as we can in this supplementary submission. We have gone to the question of licensed vessels. There have been a number of submissions on that and a number of times the committee has been presented with information about the number of licensed vessels in the coasting trade. We have provided, as appendix A, a list of the licensed vessels in Australia. We have given some information in section 2 of our supplementary submission: a brief analysis of the composition of the licensed vessels. In particular we point out the vessels which are foreign-flagged. That information comes from international websites which provide information on vessels. We also identify the ships. That information does not come from the DOTARS site. The rest of the information is from the Department of Infrastructure, Transport and Regional Development and Local Government.

Appendix C deals with declared vessels. The information on declared vessels comes from the AMSA website. There are two sections. Section A is in relation to the offshore oil and gas industry; section 8AA is in relation to the trading vessels. I point out in the covering material that, in contrast to the licensed vessels which have 12-month licences and therefore the information is never more than 12 months out of date, the declarations are of a continuing nature. So, although the vessels—

**CHAIR**—It is a point-in-time snapshot.

**Mr Byrne**—still appear on the declared vessels list, they may not actually be operating. There are some that we are able to indicate to you are not operating. We have also provided more information about the trade statistics. The deputy chair particularly may have asked a question about trade statistics. This is the reason for the last-minute presentation to you: we have a

slightly updated version this morning in hardcopy. I was not able to email those to the secretariat earlier in the week. There is appendix D, which is from the BTRE, as it was at the time, which provides you with a good breakdown of sectors that have been utilising permits, and there are amounts of tonnages, in gross aggregate terms, that have been utilised under the permit system. Likewise, following that is appendix E: two extracts from a further BTRE application. That gives you hard numbers, as up to date as they are provided publicly, about permits.

There is another section in our supplementary which deals with the issue of free trade. We were asked a question about the interaction of cabotage as a concept with the notion of free trade. I have provided to the committee the extracts that I referred to off the top of my head on the last occasion and we give extensive quotations in the body of our submission, at section 6, about the Australia-US Free Trade Agreement in particular and the reservations that both nations have identified in annex 2. I mistakenly identified that number on the last occasion, but I have given the detail there. We have also addressed the question of training. We have done that quite extensively in this document because we did not address it at length originally. I will ask Mr Christiansen to address you on the training issue by way of introduction.

**Mr Christiansen**—I think there have been a lot of statements, and there is certainly ready acceptance in the industry, that we have a skills shortage—there is one worldwide in shipping. There is a skills shortage ashore in trades and in many other areas. I think the skills shortage in the maritime industry is true across all maritime skills, but we will address you particularly about the marine engineering shortage—let us stick to what we know. The difficulty is that, about 12 years ago—there is mysterious timing on a lot of occasions in this industry—all industry cooperation broke down. Amongst other reasons, that was because the then new federal Howard government removed all measures of fiscal support, which were just depreciation measures and those kinds of things. But along with that there was elimination of a system that involved the industry paying a levy towards the training of new-entrant seafarers. In particular it meant the end of the NMITC, which was a coordinating body that got shipowners from all sectors together—oil and gas, blue water—and the unions representing labour to discuss labour shortages, projecting manpower requirements several years in advance. And it is necessary to project that in advance, because there is a lag time. To train a deck officer under the cadet scheme takes three to four years. To train an engineer officer under the cadet scheme a high-school leaver requires HSC standard English, maths and science. It used to take 4½ years. In the last few years, without any industry cooperation at all, we have spoken directly to some shipowners, to colleges and to AMSA and we have managed to shave a year from that. So we have done those things during this time. There is another way of training a marine engineer—that is, you take an engineering tradesperson and you effectively get RPLs for a lot of the aspects that would otherwise take college time et cetera.

There is a skills shortage. I will not run through the things that I have said but you can look at this and put a number of things in front of you to identify that there is a skills shortage. There are some consequences of the skills shortage at the moment, if nothing is done, and I really do want to draw those to your attention, because this is the area where the skills question has a very real impact on your brief. That is on page 8 of our supplementary submission. It is a bit of a projection. We do not have a national maritime industry training committee anymore, so we do not do any industry assessment—no-one collates figures across the whole industry. We are giving you our best assessment, really, based on the fact that after all we represent the engineers across all of those sectors but we do not have the knowledge from the employer side. Our

estimate is that we are far short of the attrition rates from the industry sectors—that is, the attrition each year, not just from retirement. A newly trained engineer or any other seafarer may, after a few years of work, settle down, get married and decide to take the next 10 years out to have kids, send them to school and whatever. They may never come back to sea, or they may come back in 10 or 15 years. So attrition is for a lot of reasons. We are and have been training for at least the last 10 years at well below attrition rates, so there has been an erosion.

We have had a collapse in the numbers of students at what were five maritime colleges. Two closed: RMIT in Melbourne and Sydney TAFE no longer provide marine engineering training. So we are down to three: the Hunter Institute of Technology in Newcastle, Challenger TAFE in Fremantle and AMC in Launceston. We had a letter from Challenger TAFE; they are having a crisis meeting on the 21st of this month. They have lost their last lecturers, who have decided to go back to sea, where they can earn far more money. And you can expect the same thing from people who work at the Australian Maritime Safety Authority, who regulate this industry and provide for its safety. Why would they not go back to sea, where they can earn far more money than they can earn in any public sector position or as a lecturer?

So we have a crisis in terms of the capacity to continue training, even in the two left in Newcastle and in Launceston. They will not tell you in their formal submissions, but we all know they have been fiddling the books. The class sizes of 10 have not been reached for many a year. They have got threes and fours, and they really have been scraping along for many years now without a real, viable number of students coming in—and, of course, you have to ask yourself why. Yet each year we have more employment opportunities, as we will go into in a moment.

Finally, if you recall, in appendix D of our earlier submission we gave you the age profile of all the marine engineers with valid certificates in this country. There are 1,607 of those, and 275 of them are aged 60 or more. So 275 out of 1,607 can reasonably be expected to retire anytime now. We have really got a problem with the fact that the attrition rate has been inadequate all this time, and that is before we talk about demand. At the moment we are really just talking about supply.

Why the skills shortage? The demand has grown. I will not go through it in detail, but I will ask you to have a look at it. It is not just the halving of the bluewater training, which is the engine room of training; it is also the growth of what used to be a number of sectors that were once very small, and they kind of fed off it. They could pay more and they fed off it, and it did not matter much because they were small and the industry was reasonably large. That has been reversed. The child now has needs that are far beyond the capacity of the parent to provide. That is where we find ourselves now, and we can give you some detail about the reasons for that.

We did try to deal with those questions through our industrial agreements and we tried doing it as far back as about 10 years ago, first with ASP Ship Management, who we must give credit to as the first company who voluntarily entered into arrangements with us that they would train a minimum number of trainee engineers and cadet engineers every year, and also Farstad Shipping, who very shortly after did the same thing and in fact had a commitment to training all the time. The difficulty commercially is that there are other companies who do not do training, and it really puts the training companies, who want to do the right thing by the industry, into a

very difficult commercial position. Their numbers have to be far below the attrition rate because not everyone is playing by the same set of rules and not everyone is contributing.

We go then to the question about a capacity to pay and the fact that the bluewater sector trains these numbers, but they are insufficient really for their own attrition, let alone anyone else's. But all the other industry sectors have the capacity to pay far higher wages and provide better conditions and therefore inevitably they will attract away the people that the bluewater merchant fleet has trained.

**CHAIR**—Sorry to interrupt you there; I am just conscious of the time. So in your supplementary submission you are advocating what a number of other submissions have advocated—that there be a levy on a broader cross-section of the players in the industry who benefit from the training that the bluewater sector does—

**Mr Christiansen**—Indeed. And whether it is done directly or indirectly, there are important commercial players. The most important are, in fact, all of the oil companies. They are the ones who are feeding this frenzy of wages. They are the ones who, when they cannot get the chief engineer they want for their oil production facility, will pay whatever it takes. They are paying chief engineers out there about a quarter of a million dollars. No-one else can compete with that. It is impossible. But they will not train anybody.

**CHAIR**—Thank you very much for that. There are a couple of questions that I want to ask and then I will open it up to other members. I am interested in your comment regarding the committee that used to exist that was the coordinating body for training. Obviously many of the bodies have been replaced by the Transport and Logistics Industry Skills Council, which deals with the transport industry overall. What is your view of their role? Are they specialised enough, do they know enough and are they doing enough in your sector as part of the logistics and transport chain?

**Mr Christiansen**—NMITC was, and could be again, very, very specialised in the maritime industry. It needs specialised knowledge and all of the stakeholders to be there and fess up, if you like, to some commercial-in-confidence information about their projected need for staff in the next 12 or 18 months to two years. It requires a relationship that is impossible in something that is also involved with aviation, rail and warehousing. In fact, the shipping industry have effectively withdrawn. They remain only, in relation to that skills council, in a very notional fashion. They have withdrawn because there really is not a place at the table for them. If they sat down to talk about the things they need to talk about, they would bore rail, road and aviation to tears.

**Mr Byrne**—Could I add to that by saying that one of the problems underpinning that lack of involvement of the coastal shipping and, more generally, maritime employers in the Transport and Logistics Industry Skills Council is the lack of a framework or structure for the key industry—coastal shipping—going forward. Without a clear shipping policy at the federal level, there is no confidence about what the shape of the future is for shipping. As Henning says, oil and gas are going gangbusters and can, will and do pay extraordinary amounts of money and dole out conditions which are not things that we have been demanding as a union in terms of negotiating for our employees; they are just inducements and retention bonuses and so forth. It is the absence of a policy, a vision and a framework for the core industry which has led to the

malaise in terms of training as well. No-one will train when there is no purpose to the training. Without the framework that requires the industry personnel, no-one is going to do it.

**Mr NEVILLE**—I think your submission is very good, and thank you for the additional data we requested. It will be very helpful. I did not get a chance to ask the last witness, but we seem to have some trouble drilling down into this matter of productivity aboard ship. I wonder what your take is on it. I am sure that your engineers are appropriately trained. You have talked about the methods of training in Australia and the number of colleges that are left and so on. But when it gets to deck training and the minor engineering roles on board, what is the problem there with the productivity? Is the training too narrow? Is the demarcation too strict? Are the general skills, if they are not too narrow, not being delivered? We have had witnesses say that the essence of getting coastal shipping going is flexibility—not the quantum of wages, but the flexibility on board. What is your take on that? What are your observations?

**Mr Christiansen**—If I may, I will answer that. Can I start with engineering and then work into the other sectors. I can say with absolute confidence, and this will be echoed by every shipowner in this country, that Australian marine engineers are equal to British marine engineers as the best in the world, bar none. That is because we have always taken the view that first and foremost we expect engineering excellence. We are both a professional organisation and a trade union, if I can put it that way. On the situation on board Australian ships as to productivity, Martin showed me the BP submission today. It made some statements on fabric maintenance over a period of time and said that with an Australian crew it costs more, not only because of the wages, but also because over a period of time the fabric of the vessel is not maintained and therefore you will pay more in dry docking and other costs. Let us distinguish between fabric maintenance and engineering maintenance. You will find the engine room is in excellent condition. Fabric maintenance goes to questions like rust, chipping, painting and ensuring that any damage done during a berthing or an unberthing—maybe a tug scraping some paint off—is replenished before rust sets in. Those are the kinds of things that BP and other shipowners are talking about. I also worked in international shipping and I have seen it myself.

But let me tell you that when I worked as an engineer with a mixed Commonwealth crew—Australians, New Zealanders, British, Indian officers and Chinese crew—we had about 30 crew members. We had so many people to throw at everything that we could do that fabric maintenance. We could do that painting and those things. We have had, as a consequence of a shipping reform process that commenced in 1982 with the Crawford report, reductions from the then Australian total manning of 26. We went down over time to 21 or 22 and then to 18 and then it became de facto 17. We have now got some ships sailing with as few as 13 people. When you have got four engineers and four deck officers, you tell me how the cook, after he has finished cooking, is going to go out and scrape, chip and paint. We do not have the men. With the greatest possible respect, we do have some constraints because of the position we have been put in due to the cost of our national standard of living. The shipowners have then made a decision to lower the overall cost by taking numbers, which are the numbers that would have done the fabric maintenance. Can I say this about the question of demarcation: I do not believe there has actually been any demarcation in this industry for a long, long time. Who was the first Howard minister? The one who took out the—

**Mr Byrne**—Peter Reith.

**Mr Christiansen**—Yes. He had an awful lot to say on this particular subject about productivity and all the rest of it. But on a ship, in the end, you are driven by your capacity to do things based on your qualifications and your responsibilities under an international convention—‘Notwithstanding your responsibilities, sir, if that is the responsibility of the master, you cannot do it’ and so forth. What people are looking for, if they are really honest, is the flexibility of 30 mainland Chinese workers or Filipino workers to do all of their bidding and to pay them about 10 bucks a day. That is what they mean by flexibility.

**CHAIR**—I think the Australian Shipowners Association have raised the issue of international riding crews. We certainly intend to ask the MUA some questions about that tomorrow, because it is not in their submission and I am very keen to hear their views. There seem to be two issues in relation to this. One is that there is a claim that the labour costs for Australian crews who do the fabric maintenance might mean that ships employing Australians to do that task have higher costs than the international ships which are using, apparently, these riding crews. The other issue that they gave evidence on was around the availability of that sort of workforce and the skills within the workforce around those issues. It struck me as unusual, because we are not talking about specialised welders or engineers. In my understanding—and please correct me if I am wrong—it is not a highly skilled area. One of the factors is that, because of the drop in crew numbers, pretty much all your integrated ratings are pretty flat out doing the tasks that they have to do. Am I right in reading it that way?

**Mr Christiansen**—I think you are right on the money.

**Mr NEVILLE**—Chair, could I add to that by saying—

**CHAIR**—Has your industry got a view about this international riding crew issue? I am interested in hearing some evidence about that.

**Mr Christiansen**—I would say on that issue, particularly because it cuts into an area that is not quite engineering, that that is the sort of thing that ultimately, when the minister has his report from you, he will sit down with the shipowners and the unions to discuss. All I can say is that I think people’s minds would be perhaps more open than they have been in the past.

**CHAIR**—Thank you very much for that. Sorry to cut across you, Paul.

**Mr NEVILLE**—That is all right. Were you going to say something, Mr Byrne?

**Mr Byrne**—I was just going to alert the committee to the fact that, for instance, when the CSL took over the former ANL cement vessels, the *River Yarra* and *River Torrens*, the concept of integrated rating was replaced. In their operations, as I understand it, they reverted to having specialised engine-room personnel assisting the engineers and specialised deck ratings assisting on deck. The very concept of the integrated rating means that people rotate between, but what it really did was to facilitate, as Henning has indicated, a drop in numbers. So there are fewer work hours available out of a reduced crew when people are doing those rotating functions. That is a consequence of the drive to reduce the numbers to reduce the costs. That is the economics of it.

Henning has referred to the BP submission, and I know that there is another raft of submissions that refer to competitive neutrality with international shipping. We say, and we said

in our initial submission, that that is an inappropriate yardstick and that competitive neutrality should be with other freight providers in Australia complying with Australian laws. If the concept of competitive neutrality were applied to other service industries in Australia in relation to what is the best price available internationally for that service then the only way that that could be delivered in Australia would be to change the existing laws, because they would not be in compliance with even the lowest minimum standards provided under the Workplace Relations Act as amended.

We have indicated to you the demand factors which are dragging conditions way beyond our enterprise agreements' levels, which are in turn significantly above the national minima that are established under the structures of the Workplace Relations Act. So you have a real vice happening to the whole cost structure there. But we say that the fundamental point is that, in the Australian domestic freight industry, competitive neutrality must be with Australian freight competitors—which are road and rail, essentially, although conveyor belts and pipelines are competition for the movement of some goods and products in some circumstances.

**Mr Christiansen**—Under Australian law.

**Mr Byrne**—Indeed. But we see that as the essential flaw. If the committee is minded to say that international competitive neutrality is the appropriate benchmark then, as far as we can see it, there has to be a decision by government that the whole industry is exempt from all Australian laws, because international shipping is unregulated apart from global conventions. It is essentially unregulated.

**Mr Christiansen**—It would mean that the entire Australian shipping industry would have to be tax free and free of those onerous workplace safety laws, which are expensive.

**Mr SULLIVAN**—Thank you very much, gentlemen, for coming back to us and for the additional information. I was a bit disturbed to hear the situation reported from Western Australia in terms of the college there. You went on to say that some of the class sizes are two and three people and not the 10, and I wonder why that may be. If I were a lecturer lecturing to two people, I would probably lose interest a lot quicker as well. Is 1,607 the number of your membership or the number of licensed marine engineers working on ships that are registered?

**Mr Christiansen**—For example, I am a member and I am a marine engineer and I have a certificate but, because for 25 years I have been driving a desk, it is not a validated certificate. The 1,607 is validated, in use.

**Mr SULLIVAN**—Is that in use on Australian registered ships or anywhere in the world?

**Mr Christiansen**—That is validated by the Australian Maritime Safety Authority. So that is Australian issued. We may also, in addition to that, have some foreign issue here in Australia, and I must admit I did not follow up with AMSA to find out whether the 1,607 includes those foreign issued certificates recognised for use in Australia.

**Mr SULLIVAN**—I guess where I am going is that I understand that Australian masters and engineers are particularly well regarded in the industry internationally, and in looking at your

submission the wages seem pretty reasonable—apart from being seen as competitive by the predatory companies. So why do you think we have such small class sizes?

**Mr Christiansen**—As we say on page 13, it comes down to why it costs to train. In other words, why can't someone just go down there? Why isn't the college full, because this is a good job to be in or whatever? The difficulty is that you could go down to the college and you could say, 'I want to enrol' and they could teach you, but you will never be able to do anything with it unless you are employed by a shipowner who will put you on the ship and give you the experience to allow you to apply the educative part of it that you got—the background knowledge or the engineering knowledge, in our case—and to learn from it. We are an applied science and you need to get the science as well as the application. Ultimately the Australian Maritime Safety Authority will test your capacity to apply that engineering knowledge in the kinds of circumstances you will have experienced in your time at sea as a cadet or a trainee. If you do not get the application you will not have had any time at sea, because you just went to college and got some education and then you went home again. You did you not get there, you were not employed by a shipowner and you were not on a ship getting the experiential requirement. That is why in the end it necessarily involves employment. That is what it comes down to.

**Mr SULLIVAN**—I suppose that is not unlike almost any other profession. For example, you go off to university and learn to be a dentist, but until somebody gives you a job—and fortunately for dentists there are plenty of those around—you do not get the benefit of the training that you have done. Obviously it is a good job and Australians have a great reputation, but the companies are reluctant to invest. I gather that you are suggesting to us that we find ways to encourage companies to invest in training. But is there a format whereby training for marine engineering could be restructured?

**Mr Christiansen**—Can I jump in before you make the question larger. I just want to go to the beginning bit: 'Are companies reluctant to invest?' It is worse than that. Companies actively look at each other and realise that if the human resources officer goes to their board and says, 'I would like the money this year to train one marine engineer,' that is going to cost them \$100,000.' Particularly in the offshore industry, they are bidding against the supply boat companies. There are new supply boat companies appearing every day. Last year I think we had three more appear—Admiralty Marine Services, Go Offshore and another one—

**Mr Byrne**—Offshore Marine Services.

**Mr Christiansen**—Offshore Marine Services. Offshore Marine Services, within the space of 18 months, moved from having nobody to being the largest employer in the industry by having razor-thin margins, stripping business out of everyone else. They have not done that on the basis that they have got money spare to take a long-term view and train people in the industry. They have priced themselves under the people like, dare I say it, Farstad, who have a long-term commitment to training and are a good solid player in the industry. As a result they take all the business. If we are not careful, Farstad will have to stop training people. They are being destroyed in the marketplace.

**Mr Byrne**—My short answer would be that the shipping industry subset of the maritime industry has effectively gone on strike for the last several years in terms of any training

obligation, because they have been sick and tired of investing in training for two, three or four years, depending on which type of officer you are talking about, and then seeing that person snaffled by towage or offshore oil and gas floating production facilities, who can and are paying far more money and giving the personnel far more leave—time at home. Those two things are very attractive to seafarers because the coastal shipping seafarer is away from home 24/7 for six months of the year. But an offshore industry person gets additional leave, so they are at home more than the coastal shipping seafarer. And towage employees, for instance, are port based, so they have the opportunity to get home more regularly. So basically the key trainer of the industry historically, over many decades, has gone on strike because they just see their investment being—in terms of their delivery to their shareholders—wasted because they lose it as soon as the people walk out the door. That gets back to the point that we have made in the submission and which Henning made earlier: until all the people who use certificates are required to make a contribution to the training effort the training will not be resuscitated.

**Mr SULLIVAN**—But Henning, for example, could decide to go back to sea tomorrow for a Scandinavian registered ship which may want Australian trained engineers but is not likely to be able to be encouraged to invest in training in this country.

**Mr Byrne**—If you look at the Hunter TAFE submission, from its stats you will see that the revalidation course has, over the last six years, been one of their most popular courses. It is getting people who have been in shore based positions where they have not been using their certificate and who have therefore not able to revalidate it—because it is one of those things: if you do not regularly use it you cannot just expect to use it. But there is that revalidation course, a refresher course, if you will. That is one of the most popular courses, and that is one of the reasons why we have actually been able to just keep things together for the last decade.

**Mr SULLIVAN**—And probably one of the reasons why such a big proportion are over 60.

**Mr Byrne**—Indeed. We are fielding calls regularly from people who have heard about the shortages and the bonanza that you can get on the floating production facilities and so forth.

**Mr SULLIVAN**—So really there needs to be a means of attracting people in, just for starters. There is no point in having—

**Mr Christiansen**—There is no shortage of starters. There is a shortage of people willing to fund the course. ASP turns back 400 candidates a year. TK turns back 400 to 600 candidates a year. We do not even advertise. None of us advertise. It is all word of mouth. And people are asking all the time. What we are desperately short of is funding.

**CHAIR**—Who would you see managing that levy and how would you see it being managed and allocated?

**Mr Christiansen**—Obviously, if you have got anything done through legislation then there is a parliamentary or a governmental responsibility to ensure certain standards are abided by. So we are going to have those standards and there is probably going to need to be a small office or a sub-instrumentality within the department that has ministerial responsibility for ensuring accountability for those funds and the rest of it. Then I would suggest a resurgence of the national maritime industry training committee, to make recommendations to the minister and

that little instrumentality on the disbursement of those funds. Basically, you would be collecting the funds on a per capita basis from everybody who uses a marine engineer in Australia—everybody puts so many cents per whatever into the cup; pass the cup around—and then you would take the industry’s decision on where that money could best be spent: who has the best ships, people and whatever else to do the training. That is obviously going to be bluewater shipping—the people who have always done it and done it well; so they would finally get funding from everyone who rips them off—funding to train people for their own needs and the needs of the others. And, as Martin has said, in the short term they need to be very big numbers—very big numbers indeed.

**Mr SULLIVAN**—To go to those numbers: the figure of \$100,000—is that to train one person per year?

**Mr Christiansen**—No, that is the complete training. A trade entrant can become a marine engineer in about 15 months because he gets recognition of prior learning. We get an output in about 15 months.

**Mr SULLIVAN**—This is not really your area, but do you know what it costs to apply for a single voyage permit?

**Mr Christiansen**—It is \$40, isn’t it?

**CHAIR**—It is not in your supplementary submission, but we have been hearing lots of evidence about the establishment of a second register. I would be interested in hearing your organisation’s views on the establishment of that.

**Mr Byrne**—This is a coastal shipping inquiry. We have not placed any emphasis on an international register in our submissions because we have not seen it as appropriate in the context of the domestic freight industry. We see that as very relevant in terms of international shipping. We would be very supportive of an investigation into a second register, an international register for Australian international shipping, and we see that that could well be a second step or a next phase in the committee’s proceedings. But our fundamental submission to this committee has been that you are dealing with a domestic competitor to other freight modes. We feel it would be offensive to competitive neutrality to give one mode—our sector, which is shipping on the coast—major fiscal benefits by way of tax relief such as that often involved in international registers. We are saying we are part of the domestic economy and should be regulated a la the domestic economy. But we do see it as an important means by which Australia can get a few percentage points of the 99 per cent of our international trade which is currently carried by foreign flagged vessels. We see that 99 per cent carriage as a tremendous drain on Australia’s current account balance. We indicated in our primary submission that we see that by 2020 Australia will be spending \$20 billion every year on freight costs going out of this country, and it is almost all on shipping. It is a very dangerous economic position for Australia to be in long term.

**Mr Christiansen**—We have made submissions in the past on the subject of international shipping in support of a second register. The distinction Martin makes is crucially important. If you involve international shipping in your considerations now, you will bog yourself down and you will actually make it more difficult for us because we first need to repair our domestic base,

repair our training capacity, repair the number of skilled people so that ultimately when, perhaps in a couple of years time, you turn your attention again to the international question, hopefully we can report that the industry is resurgent, the industry has got the people and the question of a second register can now be addressed. But not now.

**Mr Byrne**—In terms of timing, that is why we have not made any presentation to you about section 23AG of the tax act as well. Other parties have made submissions about that. In the past we joined with ASA in supporting some litigation which ended up clarifying it to our disadvantage. But, given what has happened since then, we do not think that the timing is appropriate for a 23AG amendment now because that would just be an incentive to existing Australian personnel to go into the overseas market and would exacerbate the problems of supply for the Australian coastal industry.

**CHAIR**—Thank you very much for appearing before the committee again. I think you pretty much know the drill. If we have some additional questions, we will come back to you about those. You will receive a transcript of the proceedings. Thank you.

**Mr Christiansen**—Thank you very much.

[11.59 am]

**BROHIER, Mr Peter Neville, Private capacity**

**CHAIR**—Welcome to the committee’s hearing today. Is there anything you would like to add about the capacity in which you appear today?

**Mr Brohier**—I am appearing here in my own capacity and also as Chairman of the former National Sea Highway Committee.

**CHAIR**—Although we are not requiring you to give evidence under oath, I do need to remind you that these are formal proceedings of the parliament and therefore warrant the respect that you would give proceedings of the House. I also need to remind you that giving false or misleading evidence is considered a very serious matter and can be considered as a contempt of parliament. We received your initial submission and I understand you have just provided us with a series of emails and other documentation. Would you like to make a brief statement in relation to your submission or your supplementary documents?

**Mr Brohier**—Initially there were two submissions—Nos 47 and 49—and you should have the two of them. I also tender the document file which I have recently updated. That should be documents 1 to 26. I hope you have those. I am an Australian lawyer from Melbourne. I was born in Devonport, Tasmania. Paul Lennon said of me:

Mr Brohier has been a very strong advocate for a better deal for people on Bass Strait. I think he has done a terrific job over the last few years. Through his efforts he is probably more responsible than anybody else for the ... vehicle subsidy ...

In this context I appear before you. Without my committee’s vision, public support and lobbying since 1992 and the coalition’s involvement, Tasmania would not have enjoyed the boom, new ferries and the uncapped funding of the Bass Strait Passenger Vehicle Equalisation Scheme over the last 10 years. Without Paul Lennon, there would have been no new ferries on Bass Strait. Now, Madam Chair and committee, I think it is time for Canberra to act again. There is every opportunity to deliver within weeks to this nation an integrated national transport system connecting all states, ensuring the fair movement of people by sea over Bass Strait.

This is Australia’s major passenger route within coastal waters. The public were offered equitable passenger and vehicle equalisation by both John Howard and Paul Keating, and they are apparently offered something similar by Kevin Rudd. But the Bass Strait schemes, called ‘equalisation’ schemes, are not delivering comprehensive equalisation. There is no in-built mechanism in those schemes that can ever deliver it. In addition, the Tasmanian Freight Equalisation Scheme excludes southbound consumables, unfairly increasing costs for families in Tasmania.

After the years of lobbying and support, we expect Canberra to deliver equity and the original intent of the equalisation scheme. We expect, at the very least, sufficient daily stay-up capacity, allowing an inclusive passenger and car fare of \$299, based on 70c a kilometre and a foot passenger fare of under \$50, based on the bus fare of an equivalent distance, all such fares being

all-year, non-promotional fares, adjusted annually in line with the costs of road travel. This nation advocates fairness and equity internationally. We should deliver that in our own backyard. We have that obligation. The Bass Strait scheme is being applied in a cruel and unjustifiable manner. How would we all feel if every major highway 200 kilometres from Sydney were cut or a significant toll imposed?

Let us look at the figures. Currently, to go home for Christmas, a distance from Melbourne to Albury will cost a car load using the base-grade, sit-up, regular nightly travel option \$2,124 return, whereas with equalisation it would cost \$598 or under \$60 each way per person, with a car. The amount of \$2,124 is not fair access to a whole state or, for some, to a whole nation. We can have an AFL team in Tasmania within months. There is no need to cut a tree down for jobs. We can enjoy a far greater amenity of living in south-eastern Australian—the whole of it. We should not be denied this. We have obtained sound federal policy, uncapped federal funding, enough capacity and infrastructure, proven demand and costings. We even had an apology from John Howard in 2001 when his \$50 passenger fares on top of the coalition funding, sufficient to allow a car to be taken free, were rejected.

If you do not address our concerns, you will support the changing of an equalisation scheme without any public mandate. You will support a scheme that, with existing, targeted niche-marketing pressures, can actually increase the total cost of crossing, not bring the cost of crossing to the cost of bitumen travel, as Labor is intending to do or believes. You will encourage the inefficient application of federal funding, higher carbon emissions, unjustifiably higher costs over longer routes and a reliance on the top end of Tasmanian tourism to develop two broad-based state economies. You will deny travel from A to B, preferring those who can afford to come, preferring travellers that the up-market hotel and motel chains need in Tasmania. You will limit investment, population and jobs. You will deny Victorians and Tasmanians their justifiable interstate, intercapital transport corridor, act against the people's mandate and offer travel incentives that skew access in a way that does not occur on any part of this national highway. You will treat Tasmania as though it was a foreign country, measuring net tourism revenues and inflows and outflows, while others have a vital need for equity for, I say, just living.

**CHAIR**—Thank you, Mr Brohier, for those comments.

**Mr Brohier**—I have some further comments.

**CHAIR**—I am just conscious of the time. We did ask that you make a brief statement at the start.

**Mr Brohier**—I will try to keep this short, if I may. You will allow federal monitoring reports to change the intent of an equalisation scheme and replace it with a holiday subsidy. You will support business uncertainty and seasonal and promotional fares over a vital transport artery. You will deny Australians fair access to the nation's shortest and cheapest capital link. Yes, I met a lady with a small child and a bird crossing Bass Strait, possibly travelling on charity. She was leaving Tasmania for good. It was too costly for friends and relatives to visit.

**CHAIR**—Mr Brohier, that is in fact part of the written submission that we have before us, so perhaps we can get you to come to a conclusion and then we will move forward.

**Mr Brohier**—Yes, can I just get to the point that I do not believe the consequences for that woman were a consequence of geography. I believe that was a consequence of discrimination. We put highways over rivers of water and deserts and everything else, but we go to water when we deal with Bass Strait. We have monitoring reports that do not demonstrate the impact of the loss of population, loss of children, loss of equity. Higher priced consumables are a direct result of not having this highway link, as are greater loss of public and private investment and loss of turnover. They are the consequences of not measuring this in annual monitoring reports produced by the bureaucracy in Canberra.

Tasmania is the nation's best known former penal colony and it is still being kept isolated. If this session has been broadcast into the Prime Minister's office, I am going to ask that Kevin Rudd do what Paul Keating and John Howard tried to do. I am going to say: build a nation, ensure financial accountability—and I say that to this committee—and fulfil the national mandate. We want transport equity. We do not want equity over the shell of moving a vehicle across Bass Strait. Thank you, Madam Chair.

**CHAIR**—Thanks very much, Mr Brohier. This inquiry is into the overall coastal shipping trade and incentives in relation to coastal shipping. Do you have any suggestions as to what this committee should do about promoting an Australian coastal shipping industry?

**Mr Brohier**—Yes. I believe that the most vital route in relation to coastal shipping is the one used by most passengers in Australia, and that is the route between Victoria and Tasmania. In my view, that route should operate in the same way as the land based highway connections across this nation. If you are going to fund billions of dollars in infrastructure, that route specifically should be taken out of necessarily coastal shipping and put directly under a special coastal shipping policy or an AusLink policy dealing with equity.

**CHAIR**—We are specifically looking at freight as opposed to passenger shipping. Do you have any comments about freight?

**Mr Brohier**—Yes, I am happy to deal with freight, but your terms of reference, specifically item 5, include:

Consider the implications of coastal shipping policy for ... tourism.

I would say that the submission that I have made, including all the documentation, is about tourism; it is about the general definition of tourism accepted by the United Nations. It is about a wide definition. We believe that what is happening under coastal shipping is that this definition has been looked at as though it is the upper end of tourism. Quite frankly, if we are going to be supporting, through Commonwealth schemes, just the upper end of tourism, we should know that we have an upward pressure on the Bass Strait scheme to encourage prices to rise. This is a coastal shipping problem and it is a coastal shipping problem that deals with tourism.

Re dealing with freight I make this point: you have a freight equalisation scheme called the Tasmanian Freight Equalisation Scheme. If you are going call it that, and if you going to call AusLink a national integrated transport scheme you should make it integrated and national. If you are going to call it 'Tasmanian equalisation' then you should cover southbound consumables. We advocate, internationally, competition policy and fair trade between countries.

Surely we are going to have fair trade between Victoria and Tasmania! What are we doing here? Why isn't there a coastal policy or a policy dealing with the primary coastal shipping route for interstate freight and people?

**Mr SULLIVAN**—I have questions about a couple of things from your presentation. Firstly, you gave the figures for the cost of a family to travel to Tasmania—a little over \$2,000 for a car-load of people to go home for Christmas. Have you done any figures to suggest what that might be if they were to fly home for Christmas and rent a car—in other words, a comparison?

**Mr Brohier**—I would guess that you would find that air packages and sea packages total about the same. I say this to you: if you believe in having no surface transport to Tasmania—

**Mr SULLIVAN**—I haven't got there yet. I just wondered if you had—

**Mr Brohier**—Well, that is my answer.

**Mr SULLIVAN**—This is the second question. You seem to be advocating that coastal transport between the mainland and Tasmania be treated in the same way as other transport—AusLink for example—where huge investment goes into infrastructure. Who is going to own the infrastructure in which the government invests across Bass Strait? Are you suggesting the government should own the vessels that provide heavily subsidised passage across Bass Strait or are you suggesting that the government should subsidise private industry to provide heavily subsidised passage?

**Mr Brohier**—I think we are moving into the area of public and private partnerships these days. I think the idea of government owning enterprises like that has probably gone. It does not really matter who owns the conveyance—the ships can be owned by the private sector, a government business enterprise or anybody else—provided the Commonwealth provides the bitumen equivalent of a roadway so that the end result is equalisation across the strait. I think John Howard made it clear and Paul Keating made it clear. Paul Keating's approach was for the infrastructure to be paid for by the Commonwealth. The John Howard approach is the equalisation structure. It does not matter as long as the outcome is there.

**Mr SULLIVAN**—Essentially, if we build a road—the government is building one in my electorate at the moment—the government owns that road and retains responsibility for the maintenance of that road. It becomes a little less clear, if we are trying to do as you suggest with Tasmania, as to where the government's responsibilities would begin and end, unless the government owns the vessel, I would suggest.

**Mr Brohier**—I would suggest, Mr Sullivan, that the government has ensured all sorts of options for offering equity for Bass Strait. If you are going to throw money at Bass Strait then you throw money and you direct it. You direct it for that outcome. There is no chance of competition entering Bass Strait. There is no chance of a process that looks for the upper end of tourism to ever offer highway equivalence, if we believe some of the material in this document file. So the reality is that there is no outcome of low-cost access to Tasmania. Whatever we do—it does not matter how we do it—we need that outcome. We need to put conditions on a scheme. If we are going to play with the private market and we are going to throw up to \$50 million—or \$34 million, or whatever figure we believe—into Bass Strait, we want an outcome.

**Mr SULLIVAN**—How do you recommend that the outcomes be achieved?

**Mr Brohier**—I have put a list of recommendations in submission 49. You can read them at your leisure. The guts of it is that you would put a condition on the Bass Strait scheme for any operator wishing to use the scheme that they be required to offer a sufficient number of fares at highway equivalent levels—that is, in my submission, you tie it to a condition. The reality is that no operator would walk away from the Bass Strait scheme without delivering those, because it is too big a component of the access cost to Tasmania, with a revenue of access—

**CHAIR**—What is the balance in terms of people who are accessing the scheme now in the tourism sector? You were fairly critical of the tourism sector in your submission. I understand you are supportive of them, but you have been pretty critical of what has happened—versus domestic travel for family purposes, as you say.

**Mr Brohier**—I am not critical of them. I won the AHA award for tourism in Tasmania—the primary one. But I would suggest that tourism is a very valuable industry; it should be supported. The reality is: we came with a highway principle. If you take the broader definition of tourism, it includes visiting friends and relatives, business purposes. All those things are driven by a viable financial population in Tasmania and a viable economy. If you do not drive the viable economy, you have a problem.

**CHAIR**—Thank you. I need to suspend the proceedings of this public hearing. We will be back to finish questioning the witness we have before us.

#### **Proceedings suspended from 12.16 pm to 12.33 pm**

**Mr Brohier**—Madam Chair, could I just clarify a couple of things. I wanted to make sure that your document file included the two extra documents, up to document 26. I tendered two extra ones.

**CHAIR**—Yes. You did.

**Mr Brohier**—Secondly, I was a little bit concerned about a question I was asked in relation to freight. The Bass Strait equalisation scheme excludes the northbound freight of products produced in Tasmania to the Port of Melbourne and then to international markets. That is a big gap in the AusLink network, a big gap in the existing coastal schemes. That should be covered. There would be, in my view, no World Trade Organisation problems with that, as have been foreshadowed in other inquiries, if that scheme were properly under an AusLink link. If that were the case, then I see no reason why international exports should not be covered over that link, because if you built a factory at Albury you would be able to send the goods to the Port of Melbourne on the AusLink link. Why shouldn't you if you build a factory in Northern Tasmania and send those goods to the Port of Melbourne?

The other issue is that I was a bit concerned about whether someone may have thought I was negative in relation to tourism. Tourism is incredibly valuable. But we believe that, if a policy is skewed in favour of one industry and not all the others, it does not drive whole economies; it drives only one section of the economy, particularly, in this case, where the monitoring reports are skewing it in favour of what we see as a one-sided tourism policy—not the Victorian side but

just the Tasmanian side. This was called, I think, the Bass Strait equalisation scheme; it was not a Tasmanian scheme. And the document file makes that incredibly clear.

**Mr RAGUSE**—Thank you, Mr Brohier, and thanks for your patience. I would just like to clarify a few things. Could you quantify the demand on these sorts of services. I know that in your submission you talk about a whole range of different options. If you look at running this particular service—though it is not even a service—and making it part of the ongoing services to the islands: as to the ships involved, what frequency—

**Mr Brohier**—This is of great concern. There are currently two ships. Both of those ships are capable of crossing Bass Strait, there and back each day, each 24-hour period. Most of the year, those ships are operating half that time—just overnight. So there is enormous capacity. I believe there is excess freight capacity. It is time to grow the state of Tasmania. It is not just an island; it is a state, and it is important to grow it. It is important to look at lower-cost routes. You were complaining about the cost of fuel, as people do. Stony Point to Northern Tasmania has been recommended as a route. It is near the Port of Hastings. Development will occur there. We could look at shorter routes, more efficient use and day sailings to deliver equalisation for people. Enormous opportunity is being lost. There is enough of everything, as I said, to deliver this within weeks, and connect the east-west route that VECCI is proposing across Melbourne as a transport route, with the north-south route from Melbourne to Northern Tasmania and then down to Hobart. There is no reason why every Victorian should not be enjoying three interstate, intercapital routes, not just two.

**Mr RAGUSE**—What comes first, then, in terms of how this would be rolled out as a real option for people to use? Do you build the infrastructure and do the sailings? Do you build the demand? And how would you build that demand? The concept is fine, yes, if it is part of the sea highway. What numbers now may be interested in this sort of transposition?

**Mr Brohier**—There has been a \$400,000 study that says cost and capacity are the major determinants of crossing Bass Strait. When low fares were trialled by Premier Rundle, the numbers went sky-high. But if the focus is on total revenue, in the upmarket areas—and in your document file we have a comment made by a tourism minister in Tasmania:

Tourism Minister Ken Bacon yesterday rejected claims that Spirit III was overpriced.

“I don’t think it is because we’re targeting a niche market here,” Mr Bacon said.

“If you take the upmarket hotel-motel chains, that’s the type of people they need to get into Tasmania.”

So, if the focus is on revenue raising, then we will not allow the fares—the fares will not easily come down. I do not have a problem with tourism. Tourism is focusing on their industry. If I were running David Jones, those are the sorts of people I would want for David Jones. But if I am running two broad-based economies, I need people who will buy their meals from Coles. So you need that. Whenever they have tried that, there is enough capacity. We have seen it in air travel; we can see it in surface travel. That was the aim of this. John Howard said that Bass Strait was the most serious impediment to the growth of population, investment and jobs. If you keep a state isolated, it will not grow. If you cut the road to Wollongong, would Wollongong grow? It would not. It is a movement outward of the demand curve, not a movement along it. So, as you

drop your prices, not only do you get increased travel but you move the whole parameters of doing business. This was the aim of this scheme. It was not just to take a free car, like an incentive, and travel two by two, as though you were going on Noah's Ark, and then take a free car, a Commonwealth-paid car. That is a creative use of this scheme but it was not the direct aim of it.

**Mr RAGUSE**—You are not suggesting, necessarily, a commercially viable transport route? You are saying the subsidy is the equalisation. There are obviously many models that could be applied to this.

**Mr Brohier**—No competitive model will come in here if you have so much excessive capacity. We have not seen it for 10 years.

**Mr RAGUSE**—I think that is the point I was starting to make before about the numbers. What sorts of numbers could cross on a daily basis on one vessel or two vessels? What are the synergies of having something that people know is there every day for their use, ad hoc or otherwise?

**Mr Brohier**—There was an estimate done by three officers of three governments—Victoria, Tasmania and the Commonwealth—in about 2001. They costed full equalisation at \$28.6 million using two vessels constantly running back and forth to Tasmania. They believed there was enough capacity, enough demand, for what they estimated to cost the Commonwealth \$28.6 million. I might say that the coalition expected, only two years before that, to spend some \$22.5 million on this scheme. So full equalisation is entirely affordable.

**Mr RAGUSE**—As you are probably aware, most other regions, such as those in my electorate, are the same: there are usually requirements of numbers—a certain number of demands and a density of population based on how many services may occur, whether in a bus or a train or otherwise. Without applying a competitive model, have you given any thought to or made any comparisons with other areas that have been provided with this sort of service? Before you answer, I will finish by saying that, for instance, given that my area is urban and rural, there are no services to the bottom end nor will there be any services provided, and that area probably has the same barriers that Tasmania may have. People are cut off from their urban areas for similar reasons. So is there a ratio or are there numbers? Does it justify the demand? Does the demand justify investment that is considered normally in other urban regional areas?

**Mr Brohier**—The comparison I am making here is not between urban areas of this nation; it is between the funding of transport corridors into capital intercity corridors and the primary and the only interstate highway link between the states of Victoria and Tasmania. I could have said that that woman—the bird—had suffered the tyranny of distance. She did not; she suffered the tyranny of discrimination, because we do not ask that question when we connect every other highway. We have not had to do that since Paul Keating was here, because the reality is that Paul Keating, John Howard and Kevin Rudd all agreed with the concept of the highway. I could feel sorry for somebody in a regional area, but the reality is that they are within a state and the state has obligations in relation to that. But we are talking about interstate, intercapital linkages that have already gone through the political process. We are talking about the application of existing funding that was given for the purposes of delivering equalisation on this route—recognised—but not achieving that outcome and not being able to even go one skerrick towards achieving that

because of upward pressures in prices. So it is not an issue of whether there is demand; it is an issue of dealing with equity and allowing a whole state of the Commonwealth to have equal links. This is what John Howard said in 2007 when he talked about the equalisation scheme: 'The scheme remains an important element of Australian government programs that equalise cost disadvantage between states and territories.' This is that part of it and it is something else—it is giving equal surface and air links to each state.

**Mr RAGUSE**—I am not debating the point here with you when I say that issues of equity are usually based on some base demand. That is the point I am making. I have an area in my electorate that is 70 kilometres from a major city centre, a distance that some people have not traversed in 10 years simply because there is no affordable transport available. The point I am making is that I could use the same argument that you are using, and I am happy to if this is successful. What level of demand could you argue right now: there are 5,000 people a day, 1,000 people a day, 200 people a day?

**Mr Brohier**—All I could say is that there was an estimate some time back—and I do not see any major reason—to accommodate effectively two ferries crossing Bass Strait. It was costed by the Commonwealth and three governments. The reality is that they expected those ferries to be full and they applied the number of ferries that they felt was needed to deliver that outcome. This is a quote from the late Jim Bacon that was in the Hobart papers: "But it has taken just one year to reach demand the government had thought it would take five years to achieve."

We got this scheme introduced. This scheme did have an effect. It is proven. Whenever we have tried to increase and drop fares, the numbers have gone sky-high. Average increases were—and this was some years back—13.4 a month and 23.0. Then, when low fares were tried, it went to 75.5, 69.2, and then back to 20.3 and 13.4. Those are percentage increases in numbers. A \$400,000 study says it is price and it is capacity. This is a proposal to drop the price to at least one-third of the existing price—maybe between a quarter and one-third—for some travellers crossing Bass Strait.

**Mr RAGUSE**—My final question is in terms of other means of travel and the competition in terms of airfares across that sector now. That is an industry sector that is growing quite considerably, probably because it is an option that was not otherwise available at the right prices. Do you have a comment on why this and not a concentration on what may well be quicker?

**Mr Brohier**—I think Paul Keating said, 'Let them fly.' He was not very interested in Bass Strait. When John Howard put the money into Bass Strait, it boomed. But the reality is this: one has to distinguish the idea of a holiday package where you take the airfare, accommodation and the car rental. You will see that Tasmania happens to have a lot of that because that is the way it is marketed. It is marketed as a tourism package. It is the sea package versus the air package. What we need for effective development of the state is equal air and sea. If you put that argument about air travel, it has diminished across many states. The reality is that we do not close the Hume Highway or the road to Perth because that demand has gone to air.

We are talking about short distances here. We are not talking about the tyranny of distance; we are talking about tyrannies of discrimination. The reality is that Tasmania is a very, very sought after destination as far as tourism is concerned. It has enormous tourism potential in this country, but please see tourism as being upper level and lower level. Do not use the word 'tourism' when

it means upper-level tourism. Tourism means the general movement of people. If your terms of reference are about transport and freight transport, think of this nation as being connected by an integrated system. Otherwise, throw out AusLink; I would not want you to do that.

**CHAIR**—Thank you very much for providing evidence to the committee today and for appearing before us. If there is any additional information that the secretariat requires, you will get a letter from the secretariat with some additional questions.

**Mr Brohier**—Could I just tender the full document file?

**CHAIR**—Yes, you have given it to us. Thank you very much for that.

**Mr Brohier**—And could I tender two DVDs that relate to that file.

**CHAIR**—Thank you. That is fine. One of the secretariat will grab those. Thank you to our witnesses for their attendance here today and to Hansard and the secretariat staff.

Resolved (on motion by **Mr Raguse**):

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 12.48 pm**