



Dissenting Report—Mr Paul Neville MP, Mr Paul Fletcher MP, Mrs Jane Prentice MP

1. Coalition Members have considered the five “shipping reform” bills introduced into the House of Representatives by the Minister for Infrastructure and Transport on 22 March 2012.
2. The House should not pass these bills. The new regulatory scheme for coastal shipping embodied in these bills (“New Scheme”) is deeply flawed and will not achieve its stated objectives. We highlight three key flaws in the New Scheme:
 - a) It is likely to significantly increase costs to users of coastal shipping, and that cost burden will be passed on throughout the economy
 - b) The claimed benefits depend on a compact with unions including the Maritime Union of Australia (MUA) which has not yet been agreed
 - c) The objective of revitalising the Australian shipping industry is unlikely to be achieved.

1) Significant cost increase to users of coastal shipping

3. At the core of the New Scheme is a new licensing regime for coastal shipping in Australia. Today, there is a system in which non-Australian registered ships can be granted permits to operate single and continuous voyages in Australian coastal waters. This is to be replaced with a new regime under which Australian flagged vessels will have unrestricted access to coastal trade; and foreign vessels can be granted a year long “Temporary Licence” to operate.
4. Today, foreign vessels operating on single and continuous voyage permits make up about thirty per cent of domestic coastal shipping.¹ Clearly, changes to the permit system have the potential to impact on shipping costs.

¹ Deloitte Access Economics, ‘Economic Impacts of the proposed Shipping Reform Package,’ Feb 2012, p iv.

5. Deloitte Access Economics prepared a report on the likely impact of the New Scheme, on behalf of the Cement Industry Federation and industries reliant on bulk sea freight. It predicts that the New Scheme will increase shipping costs and freight rates by up to 16 per cent.²
6. The key source of cost increases is the reduction in competition. The New Scheme requires parties seeking a Temporary Licence to carry out a minimum of five voyages in the year.³ This excludes from the market suppliers wishing to carry out, for example, a single coastal voyage (perhaps as part of a longer voyage from a foreign country, to Australia, and back.) It also imposes a significant compliance burden, as those seeking a Temporary Licence are required to give details about their planned voyages.
7. There is no good reason for imposing these prescriptive regulatory requirements. This is a protectionist measure which will reduce competition. It serves the interests of the Maritime Union of Australia and other unions. It harms the interests of users of coastal shipping services and imposes a burden on the economy more generally.

2) Claimed benefits depend on compact with MUA which has not been agreed

8. The government claims the New Scheme will deliver productivity improvements in the coastal shipping industry. In fact the improvements depend on yet to be concluded negotiations with notoriously militant unions such as the MUA.
9. The Minister said in his second reading speech:

We are committed to aligning Australian productivity practices with the best in the world. To do this, we will need a compact between industry and unions. This compact must include changes to work practices, a review of safe manning levels and the use of riding gangs on coastal vessels. This compact is essential to the reform agenda. Negotiations between industry and the unions are progressing.⁴
10. In asking the Parliament to pass these bills making up the New Scheme, when no compact is in place, the Gillard Government is effectively saying, ‘trust us – we’ll achieve these improvements.’ We know this government’s track record; we do not trust them; we strongly doubt that any productivity improvements will be secured. If the government actually had a signed deal to put before us,

² Deloitte Access Economics, p iii.

³ Committee Report para 2.43

⁴ Minister Albanese, Second Reading Speech, Hansard, Thursday, 22 March 2012

we would review it and form a view as to its merits. In the absence of an agreement, we reject the government's assurances.

3) Unlikely to revitalise the Australian shipping industry

11. The stated objective of the New Scheme is to revitalise the Australian shipping industry. The government has failed to demonstrate how the New Scheme will achieve this.
12. Beneficiaries of protectionist legislation often justify it as boosting domestic industry. Experience teaches us that such legislation usually delivers higher costs and lower productivity. It produces a flabby and inefficient industry unable to compete in world markets, and imposes a significant cost burden on the rest of the domestic economy as a result. In our view, that will be the consequence of the New Scheme.

Mr Paul Neville MP
Deputy Chair

Mrs Jane Prentice MP
Member

Mr Paul Fletcher MP
Member

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