AIMPE SUBMISSION

regarding

SHIPPING LEGISLATION AMENDMENT BILL 2015

Prepared by

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Federal Secretary

INTRODUCTION

The Australian Institute of Marine and Power Engineers is the registered organisation which represents qualified Marine Engineer Officers throughout Australia. AIMPE came together as a national body in 1881 after several years during which local organisations were formed in the various colonies of Australia and New Zealand. AIMPE members operate, maintain and repair marine vessels of all sorts including commercial ships of all types and sizes as well as vessels dedicated to the offshore oil and gas sector, tugboats, dredges, ferries, defence support craft, research vessels and Border Force vessels.

AIMPE appreciates the opportunity to make a submission to the Senate Committee about the *Shipping Legislation Amendment Bill 2015* because it has very significant potential impacts on the shipping sector of the Australian maritime industry and therefore for the AIMPE members employed in the shipping sector.

EXECUTIVE SUMMARY

Firstly, AIMPE submits that the 2012 legislation, the *Coastal Trading (Revitalising Australian Shipping) Act 2012* has failed in its objective to revitalise Australian shipping. The 2012 package has not revitalised Australian flag shipping. Australian flag shipping has continued to decline since 2012.

Secondly, the impact of the proposed *Shipping Legislation Amendment Bill 2015* would be adverse for the few remaining Australian companies engaged in the shipping sector and adverse for the employment opportunities for Australian Marine Engineer Officers, Deck Officers and other Australian seafarers. The most significant consequence of the enactment of the *Shipping Legislation Amendment Bill 2015* would be to remove any priority for Australian flag ship operators over foreign flag ship operators.

Thirdly, because foreign shipping operators are effectively free from the payment of corporate income tax and because foreign seafarers are very often exempt from the payment of income tax, allowing foreign shipping to participate in the coastal shipping sector would place Australian shipping operators at an enormous disadvantage. Australian shipping companies pay Australian company tax and employ Australian seafarers who pay Australian personal income tax.

Fourthly, the measures in the Bill which appear to favour the retention of a token presence of Australian Deck and Engineer Officers would be easily avoided by ship operators.

Fifthly, less frequent reporting requirements would reduce the transparency of the sector and provide Parliament with diminished insight into an industry which is generally 'out of sight, out of mind".

For these reasons AIMPE urges Senators on the Committee to recommend that the Bill be rejected and that new legislation be drafted to require all commercial vessels consistently operating in Australian waters to be registered in Australia and comply with all Australian laws.

1. Failure of the 2012 Legislation

AIMPE submits that the 2012 legislation, the *Coastal Trading (Revitalising Australian Shipping) Act 2012* has failed in its objective. The 2012 package has not revitalised Australian flag shipping. Australian flag shipping has continued to decline since 2012.

The latest spate of tanker ship departures has attracted much attention. The vessels that have ceased operating in the coastal trade in recent months are:

- *Hugli Spirit*
- *Tandara Spirit*
- *British Loyalty*
- *Alexander Spirit*

All four of these ships are tanker ships which are designed to carry petroleum products. All four ships were registered under foreign flags but were operated by crews of Australian seafarers. Each ship operated on the Australian coast under a Transitional General Licence. Instead of transitioning to the General Licence category they have transitioned out of operations on the Australian coast. There is only one tanker ship left on the list of Transitional General Licence ships – British Fidelity. On the pattern seen over the last 9 months the Committee members should expect that this ship too will transition out of Australian operations before 2017. Australia will then have no Australian crewed tanker capacity. Australia's fuel security will then be entirely dependent on foreign flag tankers with foreign crews. This leaves Australia's economy exposed to potential disruption for as long as the economy is dependent on imported liquid fuels for transport – especially when Australia's liquid fuel reserves are so far below the recommended 90 days' supply.

However, these are not the only examples of the failure of the 2012 legislation to revitalise Australian coastal shipping. The following ships were all operating on the Australian coast prior to the 2012 legislation. Then after the 2012 legislation was enacted they were being operated under Transitional General Licences issued but now they have ceased operating:

- *CSL Atlantic*
- *CSL Pacific*
- *HR Endeavour*
- *Pacific Triangle*

That is, a total of 8 major trading ships operating under Transitional General Licences have now ceased operating in the Australian coastal trades since 2012. The cargoes that were carried by these ships are now being carried by foreign flag ships operated by foreign crews under "Temporary" Licences. Only five major trading ships remain in operation under the Transitional General Licence:

- British Fidelity
- CSL Brisbane
- CSL Melbourne
- Lowlands Brilliance
- Mariloula

The Transitional General Licence concept has failed to act as a bridge to a General Licence because there was no obligation on the operator to do so. There was only a hope or an expectation that they might. The sunset date of 2017 for Transitional General Licences means that the remaining 5 ships under Transitional General Licences may well go the same way as the eight ships identified above – they too may cease to operate on the Australian coast.

"Temporary" Licences are now dominating the coastal shipping sector. They are not actually temporary because they are now an on-going feature of Australia's coastal shipping. "Temporary" Licence ships are dominating the coastal trades for a number of reasons which grouped together can be described as not being on the same playing field as Australian flag ships operating under the General Licence.

The Australia flag fleet has also continued to dwindle since the introduction of the 2012 legislation. The Australian flag ships which have departed since 2012 are:

Lindesay Clark
Pioneer

The remaining Australian flag ships in the major trading ship category [over 2,000 GRT] are:

1. *Portland*
2. *Searoad Mersey*
3. *Searoad Tamar*
4. *Tasmanian Achiever*
5. *Victorian Reliance*
6. *Spirit of Tasmania I*
7. *Spirit of Tasmania II*
8. *Accolade II*
9. *Melville Bay*
10. *Toll Kestrel*
11. *Toll Osprey*
12. *CSL Thevenard*
13. *CSL Whyalla*
14. *Goliath*
15. *Iron Chieftain.*

Six of the ships above are engaged in the Bass Strait trades. As long as Federal Government support remains for the existing programs it is likely that these ships will remain as Australian flag ships. Indeed the Searoad group has demonstrated its confidence in the future by order two new ships which will be LNG power – making them some of the 'greenest' ships in the region. Six of the ships are engaged in carriage of dry bulk cargoes for Australian industries. The enactment of the 2015 Bill could see these 6 ships exposed the increasing commercial pressure from foreign competition. The remaining three vessels are smaller vessels usually deployed in supplying island communities. However these vessels could also be exposed to substitution if the 2015 Bill is passed by Parliament.

One of the paradoxes of the Australian coastal shipping industry is that the biggest single trading task by volume is performed outside of the Coastal Trading Act regime. That trade is the carriage of

bauxite from Weipa to Gladstone. There are four ships operated by Rio Tinto which are completely dedicated to this task:

RTM Wakmatha
RTM Piramu
RTM Weipa
RTM Twarra

All 4 of these dry bulk carriers are now registered in Singapore [previously registered in London, UK] but are operated by full Australian crews. Like the Isle of Man, Singapore has provided an effective corporate tax rate of 0% for income earned by shipping operators. It is no accident that this has seen the transfer of ships to the Singapore flag.

Each year these 4 dry bulk ships carry a total of around 13 million tonnes of bauxite from mine to refinery. Because the voyage is between two Queensland ports the company has not taken out any licence under the Coastal Trading Act.

By way of contrast, additional bauxite sourced from Gove in the Northern Territory to Gladstone is being carried on foreign flag ships operated by Rio Tinto with "Temporary" Licences. These "Temporary" Licence vessels do not have Australian crews.

This dichotomy reveals another flaw in the Coastal Trading Act regime – it is not a comprehensive regime for all Australian coastal shipping. To achieve a comprehensive Australian coastal shipping regime would appear to require amending the decisions taken by COAG on the subject of maritime regulation. This is because the States and Northern Territory have not yet gone so far as to accept that intra-State shipping should be under the national shipping legislation (even though there is now, by agreement, a single national maritime safety regulator – the Australian Maritime Safety Authority).

A new concept initiated in the 2012 package was the Australian International Shipping Register [AISR]. Unfortunately the AISR has failed to attract a single ship to be registered. One operator Teekay Shipping (Australia) Pty Ltd did apply to register a ship, *Pioneer*, but the application did not proceed because of a veto by the Maritime Union of Australia. The exercise of the veto did not, however, ensure that the ship remained under the Australian flag. Instead the vessel has been re-flagged to the Hong Kong flag and now operates with a mixed crew of senior Australian officers with the remainder of the crew being foreigners. The *Pioneer* trades internationally carrying Australian sugar to Asian ports [principally Singapore] and it also engages in coastal trading under "Temporary" Licences. Again the "Temporary" Licence is an integral part of the business model of Sugar Australia and its Singapore based parent company.

The AISR has been a failure not just because of the right of veto but also because in most if not all cases of Australian exports, the goods are sold at the Australian wharf and the international transport task is in the hands of the foreign buyer. This is the case with major commodity trades such as iron ore, coal and grains.

Another element of the 2012 Shipping Reform package was the Seafarer Tax Offset. The object of these taxation provisions was:

> The object of this Subdivision is to stimulate opportunities for Australian seafarers to:

(a) be employed or engaged on overseas voyages; and
(b) acquire maritime skills.

It is apparent that this component of the reform package was also unsuccessful in achieving its objectives. There has been no expansion of employment opportunities for Australian seafarers on overseas voyages. Part of the reason for the failure of this particular measure is that the Australian Parliament has not been able to bring itself to enact legislation to simply and cleanly exempt Australian seafarers engaged in international trades from domestic taxation. Of course this is one of the most common arrangements in the global shipping industry. The foreign seafarers who are currently working on the "Temporary" Licence vessels now dominating the Australian coastal trading sector do not pay income tax in Australia nor do they pay income tax in their home countries. This is an element of the unfair operating cost advantages that the foreign flag "Temporary" Licence ships have over the Australian flag General Licence ships.

If the Australian Parliament cannot legislate to exempt Australian seafarers from income tax, then it should not allow tax exempt foreign seafarers to operate foreign ships in the Australian coastal shipping sector.

2. Potential Impacts of Shipping Legislation Amendment Bill 2015

Despite the failure of the 2012 shipping reform package to revitalise Australian shipping, AIMPE is concerned that the 2015 Amendment Bill will have further adverse impacts on the coastal shipping industry. The impact of the proposed *Shipping Legislation Amendment Bill 2015* would be adverse for the few remaining Australian companies engaged in the shipping sector and adverse for the employment opportunities for Australian Marine Engineer Officers, Deck Officers and other Australian seafarers. The most significant consequence of the enactment of the *Shipping Legislation Amendment Bill 2015* would be to remove any priority for Australian flag ship operators over foreign flag ship operators.

Under the now-repealed *Navigation Act 1912*, it was an offence for a ship that was not licenced to participate in the coasting trade [s.288 (1)]. However when no licenced ship was available or the service provided by the licenced ships available were inadequate, a permit could be issued to an unlicensed ship to engage in that trade [s.286 (1)]. Ships were not allowed to engage in the coasting trade if they were in receipt of any subsidy or bonus from a foreign Government [s.287]. It was also a requirement of the 1912 Act that the crew of the licensed ship had to be paid Australian wages [s.289].

While the *Navigation Act 2012* does require Australian flag ships to be operated by Australian crews it does not deal with the economic regulation of coastal shipping. The new *Navigation Act 2012* deals primarily with international shipping operations and the implementation of the standards agreed under Conventions of the International Maritime Organisation (IMO).

The 2012 shipping reform package contains the notice provisions of the *Coastal Trading Act*. When an application is made for a new Temporary Licence all existing General Licence holders must be notified of the application as must the unions representing Australian seafarers. A General Licence holder may then give a notice in response advising of its availability to carry the cargo. There is then a process of negotiation required after which the Minister has to make a decision on the application – either to grant or refuse the application.

Competing views about the interpretation and application of these provisions were aired in litigation involving the CSL Group, Rio Tinto and the Minister. However all of these arguments would become irrelevant if the 2015 Bill is passed by the Parliament because the concept of a General Licence is proposed to be repealed [s.10 of Schedule 1]. Instead, the concept of a coastal shipping permit is proposed which would be open for Australian, AISR and foreign registered ships.

Passage of the Bill would eliminate the remaining shreds of legislative and regulatory support for the Australian flag coastal shipping industry. What passage of this Bill would mean is that Australia would knowingly concede a large degree of sovereign control over vessels which are routinely operating in Australian waters. This is because in international maritime law, the flag of the ship determines the law applying to the ship. Foreign flag ships are subject to the laws of the flag country – except to the extent that another country imposes conditions on that ship operating within the country's domestic transport sector.

By permitting foreign flag ships to participate in the Australian coastal shipping industry without imposing the condition of payment of Australian corporate income tax, Australia would concede one of the most significant economic controls available to Governments. It would also place Australian companies at an impossible cost disadvantage.

In AIMPE's submission, this move would effectively 'green light' tax avoidance as the basis for low cost shipping transport services around the Australian coast. This is because a very large proportion of the cost advantage of foreign flag shipping is based on the lack of taxes in the numerous flag of convenience countries in which these ships and the operating companies are registered.

If the Australian Parliament endorses the current Bill it would be endorsing tax avoidance by foreign ship operators in the name of providing cheaper freight services within Australia. Everyone likes a bargain but Australia has been campaigning in international meetings for the reduction and elimination of tax avoidance by corporations. Australia will have reduced credibility on this issue if it opens the Australian domestic transport sector to international tax avoiders.

Australia does not allow domestic planes, trains, trucks and buses to be operated on the following terms:

Overseas vessel registration permitted;

Foreign personal as operators working on foreign rates of pay and conditions;

No corporate income tax payable in Australia;

No personal income tax payable by the crew members;

No superannuation payable to these personnel;

Australian occupational licencing of these personnel not required;

Australian national security checks not required for personnel; and

Australian health and safety laws not applicable.

AIMPE submits that Australia should not allow ships in the domestic transport sector to operate on these terms either.

Giving a Coastal Shipping Permit to a foreign ship to allow it to engage in coastal shipping as if it is engaging in international trades is a strategy designed to favour foreign entities over Australian entities. Australian cargo owners will inevitably switch to the cheaper, tax free services provided by the flag of convenience foreign ship ultimately owned by a company or other entity registered in a tax haven.

3. Other Specific Provisions of the 2015 Bill

The objects of the 2012 Coastal Trading Act were enumerated in section 3 as follows:

> **3 Object of Act**
> (1) The object of this Act is to provide a regulatory framework for coastal trading in Australia that:
> (a) promotes a viable shipping industry that contributes to the broader Australian economy; and
> (b) facilitates the long term growth of the Australian shipping industry; and
> (c) enhances the efficiency and reliability of Australian shipping as part of the national transport system; and
> (d) maximises the use of vessels registered in the Australian General Shipping Register in coastal trading; and
> (e) promotes competition in coastal trading; and
> (f) ensures efficient movement of passengers and cargo between Australian ports.

These somewhat inconsistent objects masked the tension between the notions of an Australian flag shipping industry and a foreign flag shipping industry providing shipping services around Australia. The 2012 Coastal Trading Act did not seek to exclude the involvement of foreign flag shipping in the domestic transport task – the approach taken by most nations around the world. Minister Albanese was clear in his Second Reading speech that the legislation would not do this. Rather it tried to set up a form of mediated competition between the remnant Australian flag fleet and the almost infinite pool of foreign flag ships around the world. Such a competitive structure was always loaded against the Australian flag fleet. AIMPE predicted the continuing decline of the Australian flag fleet.

The 2015 Bill eliminates some of this inconsistency by eliminating all references to Australian shipping and making clear that foreign ships with spare capacity are to be utilised on the Australian coast to the maximum. The objects of the 2015 Bill shine a light on the path ahead. If the 2015 Bill becomes law, then the Parliament will be declaring that Australia does not need an Australian flag, Australian crewed domestic shipping capability and all that goes with it. Parliament will be declaring

that Australia will in future be entirely dependent on foreign flag shipping operated by foreign crews and operating outside the Australian employment, health and safety and taxation regimes. Australia will accept that foreign standards and foreign laws can and should apply in one part of the Australian transport system.

The Bill also contains provisions in section 38 of Schedule 1 relating to the Australian crew requirement for certain foreign vessels. This measure would appear to favour the retention of two Australian marine officers on board foreign vessels operating on the Australian coast for a period of more than 183 days. The effectiveness of this provision relies on the new concept of a "term declaration". The definition of this new concept is contained in s.13 of the Schedule and is focussed on the intention of the applicant at the time of making the application. In the tough business of international shipping, this requirement would be easily avoided by ship operators. A case study can be seen with the carriage of petroleum products around the Australian coast.

Many shipping operators have substantial fleets of ships. The BP group is one such operator. In April 2015 the Australian crewed BP ship British Loyalty was withdrawn from operating on the Australian coast. BP is not going out of operation. BP is still selling petrol to Australians. BP is however importing more and more refined petroleum products into Australia from refineries across Asia. BP is then using the ships which bring in the imports to carry out the coastal distribution task. These other BP ships are carrying out this function under "Temporary" Licences. Some of the ships that BP has used to do this task on the Australian coast over the last 3 years under "Temporary" Licences are:

- British Tenacity [15 voyages under "Temporary" Licences 2012-13]
- British Liberty [16 voyages under "Temporary" Licences 2012-15]
- British Chivalry [13 voyages under "Temporary" Licences 2012-14]
- British Security [5 voyages under "Temporary" Licences 2012-15]
- British Unity [7 voyages under "Temporary" Licences 2012-15]
- British Integrity [7 voyages under "Temporary" Licences 2012-13]
- British Curlew [1 voyages under "Temporary" Licences 2013]
- British Harmony [20 voyages under "Temporary" Licences 2014-15]

All of the above vessels are registered in the Isle of Man. The Isle of Man has a corporate taxation rate of 0%. The BP group can rotate these vessels in and out of Australia for periods shorter than 183 days and thereby ensure that they are never required to employ any senior Australian officers on board these ships. One of the most frequently used of the BP ships listed above has been the British Liberty. Its periods of operation on the Australian coast were August – September 2012, January 2013, July - September 2014 and then February 2015. No single period spanned more than 90 days. This demonstrates that the 183 days requirement can be readily avoided by a large shipping group with many ships at their disposal. AIMPE does not suggest that the BP group is any different from any other large shipping operator. Every large international shipping operator will tailor its operations to ensure it does not breach local legislation. Indeed if Australia adopted a policy of 100% Cabotage it is very likely that all of the oil majors would comply albeit reluctantly.

Even if a ship operator decided to deploy a ship or ships for the full duration of a year the proposal for a single Australian Deck Officer and a single Australian Engineer Officer does not represent a pathway to ensuring an adequate supply of Australian personnel with the skills and experience to operate large modern commercial vessels. There is no opening for the Officers of tomorrow to go

through the stages of training and operational experience essential to progression from, for instance, the Engineer Watchkeeper Certificate [required for entry level Engineer Officers] to Engineer Class 2 Certificate and then to Engineer Class 1 Certificate [required for senior Engineer Officers]. This full progression ordinarily takes around 10 years of training and experience. It can only be achieved if the openings and opportunities are available at all ranks over the long term. The Senior Officer proposal does not represent a viable long term strategy to retain the full range of skill Australian Deck and Engineer Officers. As many other submissions in recent years have noted, if Australia is not continuously training its own Deck and Engineer Officers then Australia will not have any home grown personnel to 'come ashore' into vital maritime safety and administration roles such as AMSA Marine Surveyors, Harbourmasters and Marine Pilots.

At s.35 of the Schedule the Bill proposes amended reporting requirements. These involve less frequent reporting requirements for the holders of the new Coastal Shipping Permits. This less frequent reporting would reduce the transparency of the sector and provide Parliament with diminished insight into an industry which is generally 'out of sight, out of mind". The current reporting has enabled the analysis of current patterns such as the case study of the BP group set out above. Parliament should not reduce the reporting requirements for ship operators. Electronic reporting should be upgraded to facilitate ease of reporting.

4. Balance of Payments

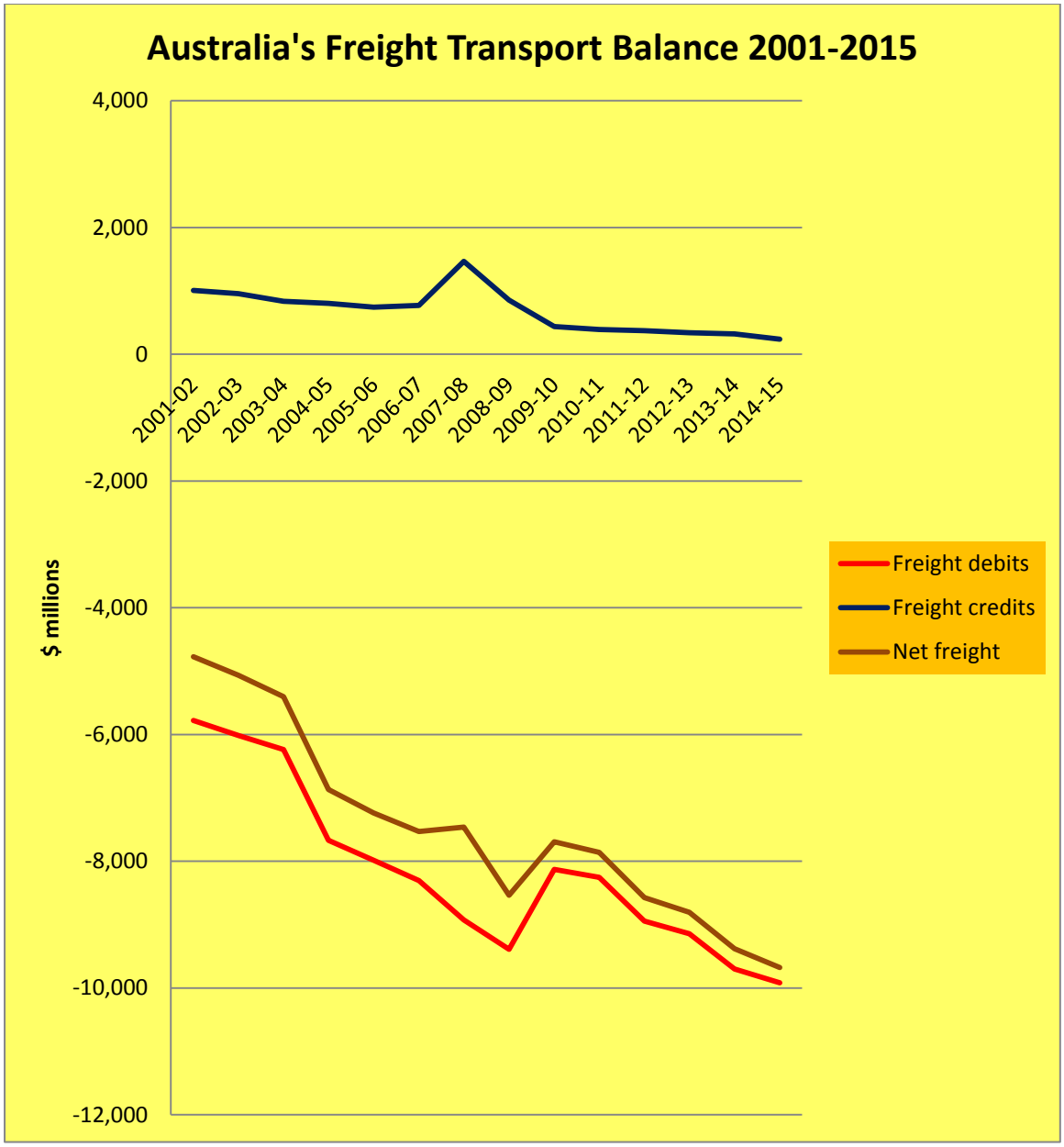
AIMPE also submits to the Committee that there are significant macroeconomic consequences from the lack of Australian involvement in Australia's massive shipping task. Australia is spending almost $10 billion per annum on freight transport services – mainly shipping costs. This is a constant drain on the nation's international balances as can be seen in the graph on the following page.

The Australian Bureau of Statistics figures show an inexorable decline in the freight services credits [the income earned by Australian shipping service providers] after a spike in the heady days before the global financial crash. The peak earnings of over $1,400 million in 2007-08 dropped below $900 million in 2008-09 and have dwindled to less than $300 million over the six years since then. This decline was probably accelerated by the high value of the Australian dollar which caused many Australian manufacturers to reduce output or to shut down operations altogether. This has been one downside of the "resources boom". Much of Australia's coastal shipping has serviced the needs of Australian manufacturing – transporting raw materials to processing plants. The high Australian dollar caused by the resources boom effectively made many Australian goods uneconomic when compared to overseas imports.

AUSTRALIAN FREIGHT TRANSPORT SERVICES Credits and Debits 2004-05 ($ millions)

Australia	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Freight debits	-7,668	-7,983	-8,303	-8,924	-9,388	-8,128	-8,251	-8,945	-9,144	-9699	-9916
Freight credits	801	744	771	1,464	852	438	390	372	341	320	239
Net freight	-6,867	-7,239	-7,532	-7,460	-8,536	-7,690	-7,861	-8,573	-8,803	-9379	-9677

Source: Extracted from *ABS International Trade in Goods and Services, 5368.0*



Source: Extracted from *ABS International Trade in Goods and Services, 5368.0*

On the other side of the ledger, freight debits reduced to just over $8,000 million in 2009-10 as the world economy contracted but has climbed back to just under $10,000 million in 2014-15. $10 billion is a larger drain on the balance of payments whichever way it is looked at. Australia needs to have a debate about whether we can accept seeing this quantum of money flowing out of Australia every year to pay for shipping services provided by foreign companies.

5. Cabotage – our nearest neighbour

Cabotage is the term which is used to refer to the laws by which countries reserve the carriage of cargoes on their coast to ships of that country. Cabotage laws are very common around the world.

Most of our major trading partners have Cabotage laws. The Australia USA Free trade Agreement specifically retains US Cabotage by excluding it from any alteration. Incidentally, the same Agreement also preserves Australia's right to legislate for maritime matters in the same fashion:

> Australia reserves the right to adopt or maintain any measure with respect to maritime Cabotage services and offshore transport services.
> Source: ANNEX II-AUSTRALIA-12, Australia USA Free Trade Agreement

The USA's Jones Act implemented Cabotage in the country early in the 20th century after the British blockade in the early 19th century had stimulated the local shipping industry. However, closer to our part of the world, Indonesia has adopted Cabotage laws in recent years. The impact of these laws was assessed by Gerald Yee and Nazirah K. Din:

> Cabotage principles were implemented when the domestic shipping industry in Indonesia almost collapsed as a result of foreign vessels engaging in coastwise transportation. The Indonesian government implemented the Cabotage restrictions and Indonesia's shipping and offshore marine industry underwent major changes since the introduction of the Maritime Law No 17 of 2008 which was aimed at providing business opportunities and greater market share to Indonesian companies. Cabotage is the principle regulating shipping activities which takes place within a country's waters and recognises that a country is entitled to restrict the activities of foreign vessels operating within its waters.
>
> Source http://www.clydeco.com/insight/updates/view/cabotage-and-its-impact-in-indonesia

According to the same authors:

> Article 8 of the Maritime Law No 17 of 2008 sets out the following principles:-
>
> - That activities relating to domestic sea transportation must be performed by an Indonesian Sea carriage company using an Indonesian flagged vessel which are manned by Indonesian crews; and
> - Non-Indonesian sea flagged vessels are prohibited from carrying passengers and / or goods between island or ports in Indonesian waters.
>
> Source http://www.clydeco.com/insight/updates/view/cabotage-and-its-impact-in-indonesia

The Indonesian approach to Cabotage is not limited to the traditional concept of the carriage of goods and passengers from one port to another. The Indonesian Cabotage regime has been extended to encompass all of the maritime operations in the Offshore Oil and Gas sector:

> When the rules were first introduced, oil and gas companies did not see a threat as they expected the Rules to apply only to passengers and goods. However the Indonesian government later changed the rules to bring oil and gas companies activities under the law. It was done to encourage Indonesia's shipbuilding industry to grow and protect member of companies of the Indonesian Shipowners Association. Cabotage policies are particularly significant for the oil and gas industry especially where the oil and gas fields are located offshore but still within a country's territorial waters.

With the lack of Indonesian vessels capable of servicing the needs of the oil and gas sectors, exemption tables were created in 2011 in order to avert production losses. Regulation No 22 of 2011 and Ministry of Transport ("MOT") Regulation No 48 of 2011 allowed foreign-flagged ships to continue to operating in Indonesian waters. The first deadline was December 2012 for two types of offshore support vessels: platform supply vessels and ancho handling tug supply (AHTS) >5000BHP with dynamic positioning (DP2, DP3). The next deadline was December 2013 for offshore construction vessels and dredging vessels.

At the end of 2013, the MOT announced it would extend exemptions and MOT Regulation No. 10/2014 became the regulation of reference for offshore vessel Cabotage in March 2014. Exemptions for oil and gas survey vessels, offshore constructions vessels, dredging, salvaging and underwater works expired in December 2014. In December 2015, the current exemptions for jackups, semisubmersibles, deepwater drill ships, tender-assist and swamp bridge rigs will also expire.

Source http://www.clydeco.com/insight/updates/view/cabotage-and-its-impact-in-indonesia

AIMPE submits that Australia should have a fundamental re-think about the approach to maritime policies that has been adopted by both of the major political parties in the last two decades. Australia needs to adopt the principle of Cabotage to ensure that we do not suffer a collapse of our domestic shipping industry due to domination by foreign shipping interests. Australia should also recognise that the principle of Cabotage is not limited to old fashioned trading ships. Indonesia has recognised this and has legislated accordingly. Indonesia now has significant capability in relation to the operation of marine vessels for their Offshore Oil and Gas sector. Unless Australia wants to see Australia's Offshore Oil and Gas sector also dominated by foreign flag vessels operated by foreign crews, Australia should adopt the expanded version of maritime Cabotage now being implemented by our large northern neighbour.