

Chapter 3

Issues

Background

3.1 In March 2017, the Minister for Infrastructure and Transport, the Hon. Darren Chester, MP released the *Coastal Shipping Reform Discussion Paper*. The amendments contained in the bill were all detailed and explained in the discussion paper and stakeholder comment was sought on the proposed reforms. The discussion paper also detailed the Government's approach to coastal shipping reform and made clear that the proposed amendments were not intended to:

...make wholesale changes to the current regime, but rather retain its basic structure, while removing aspects which stakeholders had reported were unreasonably limiting, inflexible or onerous.¹

3.2 DIRD provided some of the background to the bill in its submission, and outlined some of the issues that have been impacting the coastal shipping industry for more than a decade.

3.3 It was noted, for example, that between 2004-05 and 2014-15 the volume of freight across Australia increased by around 55 per cent. During the same period, however, the shipping industry's share of Australian freight fell from approximately 25 per cent to around 17 per cent. It was also noted that between 2010 and 2030, Australia's freight task is predicted to increase by approximately 80 per cent. This is in contrast to coastal shipping, which is only forecast to increase by approximately 15 per cent.²

3.4 DIRD also observed that while successive governments have investigated ways to regulate coastal shipping with a view to increasing the number of Australian ships – in both the international and trading sectors – foreign ships continue to be necessary to meet the demand for shipping services, including in the coastal sector.³

3.5 It was also noted that that since the implementation of the current regulatory regime, and the establishment of the Australian International Shipping Register (AISR) in 2012:

- there have been no ships registered on the AISR; and

1 Department of Infrastructure and Regional Development, *Submission 2*, p. 5.

2 Department of Infrastructure and Regional Development, *Submission 2*, p. 4.

3 Department of Infrastructure and Regional Development, *Submission 2*, p. 4.

- there has been a continued decline in the number of Australian general licence vessels (and a decrease of 69 per cent in the carrying capacity of these ships).⁴

Consultation

3.6 DIRD pointed to feedback it has received from both users and stakeholders regarding the current regulatory regime. Stakeholders noted that the regulation of coastal shipping has created a range of administrative issues which have an impact on shipping companies (and the Australian businesses that use coastal shipping), resulting in a significant regulatory burden. DIRD argued that this has prevented foreign shipping companies from being able to participate in coastal shipping – "even where there are no Australian vessels available to carry the goods".⁵

3.7 DIRD also advised that in its consultations with stakeholders (undertaken in 2016 and 2017):

...concerns were raised about the current requirement to apply for voyages in groups of five or more, [the] risks associated with the variation of voyages, and the inefficient process for providing opportunity to Australian operators to compete for cargo or passenger carrying opportunities even where no such Australian operators existed. Other concerns related to the existing tolerance provisions (date, volume) and the requirement to vary already authorised voyages in situations where the strict tolerance provisions could not be met.⁶

3.8 The committee was told that during its consultations, stakeholders had argued that if the Government was not planning to proceed with wholesale reform of Australia's cabotage rules, the Coastal Trading Act "should be amended to reduce red tape and remove the inflexibility within the current framework".⁷ DIRD reported that they had been informed by stakeholders of:

- **The cost of shipping** – for some dry bulk commodities, the cost of shipping the final product around Australia is now the same as shipping the product from overseas to Australia. For example, the shipment of gypsum from Thailand is \$10 per tonne cheaper than shipping it around the Australian coast. This additional cost is a determining factor in choosing an international ship over and Australian flagged vessel when shipments carried around the Australian coast constitute tens of thousands of tonnes.
- **Delays due to consultation requirements** – every application to transport fuel around the coast remains subject to a one or two business

4 Department of Infrastructure and Regional Development, *Submission 2*, p. 4.

5 Department of Infrastructure and Regional Development, *Submission 2*, p. 4.

6 Department of Infrastructure and Regional Development, *Submission 2*, p. 4.

7 Department of Infrastructure and Regional Development, *Submission 2*, p. 4.

day delay due to the 'notice in response' requirements of the Coastal Trading Act. This is despite the fact that there are no Australian registered crude oil or petroleum tankers with a GL available to contest TL applications. This has resulted in a situation where, since 1 June 2016, businesses have spent more than 446 days waiting for consultation with a GL holder that does not exist.

- **Consultation for temporary licence voyages carrying Other Bulk Liquids** – in the 2016-17 financial year, no GL or TL vessels reported carrying any 'Other Bulk Liquids'. Despite this, in the same period, there were 200 days of consultation for TL voyages carrying 'Other Bulk Liquids', including sulphuric acid, ethanol and molasses.⁸

3.9 DIRD argued that given the feedback provided by stakeholders, it is clear that users of coastal shipping services – particularly in the manufacturing, petroleum and primary industry sectors – support further deregulation. It was also argued that the majority of user and stakeholder feedback to the department indicated that the Government's "proposal to address administrative issues associated with the current regime will reduce regulatory burden".⁹

3.10 In its submission, the Maritime Union of Australia (MUA) argued that despite the consultation undertaken prior to the introduction of the new legislation, the bill "has ignored key proposals put forward by the industry, via exhaustive meetings with stakeholders as part of an industry Green Paper".¹⁰ Further, it was argued that:

The MUA engaged at length in this process, and notes the Bill does not address any proposals aimed at growing Australian content in coastal shipping, such as the 'strategic fleet concept', that provides an opportunity to achieve better co-ordination between Navy objectives and the commerciality of the merchant shipping sector.

...

The Bill is also silent on proposals put forward by the MUA in January 2017, in its submission to the Government following the release of the industry Green Paper. Such proposals included a new commercial solution, to strike the balance between a core Australian fleet supported by foreign ships trading on a TL.¹¹

Response to the bill

3.11 Submissions provided by industry stakeholders expressed a range of views regarding the proposed new legislation.

8 Department of Infrastructure and Regional Development, *Submission 2*, pp 4-5.

9 Department of Infrastructure and Regional Development, *Submission 2*, p. 5.

10 Maritime Union of Australia, *Submission 18*, p. 5.

11 Maritime Union of Australia, *Submission 18*, p. 5.

3.12 Supporters of the bill submitted that the new legislation does not represent significant change, but proposes a series of amendments which have been designed to reduce red tape and simplify the administration of the regime. It was argued that the benefits of the changes will include reduced costs, increased efficiencies and a reduction in the administrative burden for both industry and government.¹²

3.13 The Australian Industry Group (Ai Group) represents a number of Australian companies that use coastal shipping to transport raw materials, components and finished products between Australian ports. The Group submitted that the bill provides "much needed repair and flexibility to the current coastal trading regulatory regime",¹³ and addresses Australian businesses' concerns that the shipping of domestic product between Australian ports has "become uncompetitive and restrictive". Further, it argued that:

The current regime, regulated by the *Coastal Trading (Revitalising Australian Shipping) Act 2012*, has led to significant increases in shipping costs to Australian companies and a greater reliance on road transport and rail.

The bill will increase access of Australian businesses to the services of foreign ships capable of transporting domestic cargo. This will increase flexibility in the coastal shipping trade. It will provide important economic benefits to the Australian economy and allow for greater movement of Australian domestic cargo.¹⁴

3.14 The Australian Aluminium Council (AAC) submitted that the current regulations on coastal shipping have proved "ineffective, inflexible and costly to industries that rely on shipping services".¹⁵ It was noted that, under current regulations, when applying for a TL, there is a requirement to apply for a minimum of five voyages and to lock-in loading dates and ports in advance. As a result of the current system, there have been occasions when the supply of alumina at some smelters has reached critically low levels. The AAC indicated that:

...this type of situation would normally be addressed through adjustment of the dates and shipping voyage routes through normal commercial negotiations, but this is unworkable under the current regime.¹⁶

12 See, for example, Department of Infrastructure and Regional Development, *Submission 2*, p. 2, Australian International Marine Export Group – Superyacht Australia, *Submission 3*, Shipping Australia Limited, *Submission 6*, Maritime Industry Australia Limited, *Submission 14* and the Australian Industry Group, *Submission 17*.

13 Australian Industry Group, *Submission 17*, p. 3.

14 Australian Industry Group, *Submission 17*, p. 3.

15 Australian Aluminium Council, *Submission 7*, p. 3.

16 Australian Aluminium Council, *Submission 7*, p. 3.

3.15 In supporting the proposed amendments, the AAC argued that they will provide "some reduction in the regulatory burden for shipping users and a resultant increase in the efficiency of the coastal shipping regime".¹⁷

3.16 The Ai Group noted that the bill proposes "modest but important changes to the licensing system for foreign ships for the purpose of domestic cargo around Australia".¹⁸ The Ai Group explained that currently, the Coastal Trading Act focusses primarily on the involvement of Australian ships in coastal trading. While supportive of the efforts made by successive governments to revitalise the Australian shipping industry, it also argued that an appropriate balance needs to be struck, and that this balance:

...must take into account the interests of Australian companies (shipping companies as well as companies which use shipping to transport their goods), Australian workers (those employed by shipping companies and those employed by the users of shipping) and Australian consumers (who are forced to pay the higher prices associated with increased transport costs).¹⁹

3.17 The Ai Group argued that the changes proposed by the bill do strike an appropriate balance and will go some way to addressing the concerns of Australian businesses, which have been finding the shipping of domestic product between Australian ports increasingly restrictive and costly.²⁰

3.18 Submissions received from stakeholders opposed to the bill, noted that their opposition stems, in part, from their disappointment in the Coastal Trading Act itself, which was introduced in 2012. Submitters argued that the Coastal Trading Act did not "contain any legislative requirement that would 'revitalise' the ownership or operation of ships by Australian companies and the employment of Australian workers".²¹

3.19 Further, it was argued that Australian flag shipping operated by Australian seafarers has actually declined since the introduction of the 2012 legislation. It was noted, for example, that the last four remaining petroleum tankers have been removed from the coast since the introduction of the Coastal Trading Act.²²

3.20 The Australian Institute of Marine and Power Engineers (AIMPE)²³ observed that it is widely accepted across the industry that the 2012 legislation has "failed to

17 Australian Aluminium Council, *Submission 7*, p. 3.

18 Australian Industry Group, *Submission 17*, p. 4.

19 Australian Industry Group, *Submission 17*, p. 4.

20 Australian Industry Group, *Submission 17*, p. 4.

21 Australian Institute of Marine and Power Engineers (AIMPE), *Submission 1*, p. 3.

22 Australian Institute of Marine and Power Engineers (AIMPE), *Submission 1*, p. 5.

23 The Australian Institute of Marine and Power Engineers (AIMPE) is a professional body and registered organisation which represents qualified marine engineers throughout Australia.

revitalise the Australian coastal shipping sector" and argued that the proposed bill has the potential to actually "accelerate the decline even further and spread its adverse impacts more widely".²⁴

3.21 The AIMPE submitted that the Government should reconsider its approach to the coastal shipping industry and adopt measures that would increase the number of Australian-registered ships – and as a result, the number of Australian deck and engineer officers.²⁵

3.22 The AIMPE also argued that the original legislation actually made it easier to replace tax-paying Australian ships and workers with tax-free foreign ships and workers, registered under the law of a foreign power and thus not subject to most Australian laws – including taxation. Further, it suggested that the new bill actually streamlines and accelerates a pattern of facilitating tax-free foreign shipping and displacing tax-paying Australian shipping.²⁶

3.23 AIMPE argued that for there to be any increase in the number of ships in the Australian flag shipping fleet, a different approach would be needed. The AIMPE recommended amendments to the *Shipping Registration Act 1981* which would require all commercial vessels regularly operating in Australian water be required to register in Australia. AIMPE argued that:

Currently that Act requires vessels **owned** by Australian entities to be registered in Australia but as it makes NO legislative requirement that a ship must be registered in order to regularly operate in Australia, this Act effectively encourages companies to remove their ships from the Australian ship-register and instead register then in a foreign Flag of Convenience Tax-haven[s] like Singapore, Panama etc.

They avoid registering in Australia so that by exploiting the Temporary Licence system they can avoid Australian company Tax.

Requiring vessels that regularly operate in Australian waters to register under the *Shipping Registration Act 1981* would lead to a substantial increase in the number of Australian flag ships and would increase the employment of Australian Deck and Engineer Officers.²⁷

Specific issues

3.24 In addressing the various amendments proposed by the bill, a number of submitters addressed the proposed legislation and the decline of Australia's shipping industry in a general sense. There were several issues about which stakeholders held specific concerns, however, including:

24 Australian Institute of Marine and Power Engineers (AIMPE), *Submission 1*, p. 5.

25 Australian Institute of Marine and Power Engineers (AIMPE), *Submission 1*, p. 12.

26 Australian Institute of Marine and Power Engineers (AIMPE), *Submission 1*, p. 3.

27 Australian Institute of Marine and Power Engineers (AIMPE), *Submission 1*, p. 5.

- the definition of 'acceptable tolerance limits';
- vessels dry-docking and docked for service;
- the definition of 'voyage';
- the five-voyage minimum requirement for a TL; and
- the responsibility of the Minister to consult.

'Acceptable tolerance limits' – Item 5

3.25 Item 5, which amends the definition of 'acceptable tolerance limits', was supported by a number of stakeholders.²⁸

3.26 A number of stakeholders were opposed to this amendment,²⁹ including the MUA which argued that a consequence of this amendment would be that:

...it would be commercially impossible for an Australian vessel to contest for cargo, as the owner/operator would never know the actual cargo or passenger volume and/or the precise loading date. If enacted, this will undercut and decimate the ability for Australian workers on Australian ships to compete to earn a living in their own country.³⁰

3.27 The Australian Institute of Petroleum (AIP) indicated its support for this amendment which will see the tolerance limit for loading dates extended to 30 days, and the removal of the volume tolerance provisions in their entirety. It was argued that this approach "would better reflect the market reality which is constantly changing and requiring regular re-assessment".³¹

Vessels dry-docking and 'docked for service' – Item 7 and Item 64

3.28 As noted in the previous chapter, Item 7 inserts a definition of 'docked for service' into Subsection 6(1). Under this amendment, TL holders will be able to dock their vessel for service and be afforded the statutory presumption against importation by Section 112 of the Coastal Trading Act.

3.29 Under Item 64, the reference to an EL is removed, as this category is being removed from the Act.

28 See for example, Shipping Australia Limited, *Submission 6*, p. 11, Australian International Marine Export Group – Superyacht Australia, *Submission 3*, [p. 6], Australian Aluminium Council, *Submission 7*, p. 3, Cement Industry Federation, *Submission 16*, p. 3 and Business Council of Australia, *Submission 19*, p. 1.

29 See for example, Australian Institute of Marine and Power Engineers (AIMPE), *Submission 1*, Mr E J Wilson, *Submission 4* and Australian Maritime Officers Union, *Submission 11*.

30 Maritime Union of Australia, *Submission 18*, p. 9.

31 Australian Institute of Petroleum, *Submission 15*, p. 6.

3.30 The amendments are proposed to remove the financial disincentive that customs importation represents, and have the aim of encouraging ship owners and operators to use Australian dry-docking services.

3.31 Cruise Lines International Association Australasia (CLIA) observed that in recent years, Customs has adopted the view that the entry of a ship into a dry-dock facility triggers importation. CLIA noted that "this is despite the fact most cruise ship dry-docks last only a short period of 2-3 weeks before the ship departs".³²

3.32 One of the consequences of importation for cruise ship operators is that the Maritime Crew Visas of the crew are rendered invalid. It was noted that, given there are frequently over 1000 crew on a large cruise ship, the cost, time and administrative requirements involved in applying for new crew visas (for such a short period of time) generally makes it uneconomic to dry-dock in Australia. This has resulted in a large number of cruise ship dry-docks choosing to relocate to international alternatives – including Singapore – over recent years. It was noted that with each dry-dock frequently involving an expenditure of more than \$15 million, the loss to the Australian economy (and the loss of employment) is significant.³³

3.33 The CLIA indicated that while it agrees with the bill's intention to remove the financial disincentive that customs importation represents to dry-docking in Australia, it has concerns that the bill:

...proposes a 'fix' for this issue by the insertion of dry-docking in Section 112 of the Act. However, this solution will not apply to exempted cruise ships which still face the importation issue. Without a solution, CLIA considers it likely that large cruise ship operators will continue to dry-dock outside Australia.³⁴

3.34 CLIA submitted that this particular issue needs to be solved by amendment of the Customs legislation, "to ensure that cruise ships in short term or emergency dry-dock are not required to be imported".³⁵

3.35 In supporting this amendment, Superyacht Australia noted that "refit and repair work drives a lengthy supply chain, creates jobs and has significant economic returns for Australia".³⁶ Ports Australia also observed that the proposed changes are a "good first step in reducing the regulatory burden" on vessels undertaking voyages on the Australian coast.³⁷ It also acknowledged that the proposal to allow for dry-docking

32 Cruise Lines International Association Australasia, *Submission 10*, p. 5.

33 Cruise Lines International Association Australasia, *Submission 10*, p. 5.

34 Cruise Lines International Association Australasia, *Submission 10*, p. 6.

35 Cruise Lines International Association Australasia, *Submission 10*, p. 6.

36 Australian International Marine Export Group – Superyacht Australia, *Submission 3*, [p. 5].

37 Ports Australia, *Submission 8*, p. 2.

without being subject to the Customs Act, is "pragmatic and will improve the coastal regulatory framework".³⁸

3.36 The AIMPE recognised that this amendment could benefit the ship repair sector. However, it did raise concerns about the consequences of a vessel not being regarded as imported – specifically, that the vessel would 'escape' the asbestos prohibition in the Customs regulations. It also argued that this amendment places in doubt the application of state OHS and WHS laws in relation to exposure to asbestos containing materials.³⁹

3.37 The MUA advised that, given this amendment aims to encourage vessel owners and operators to use Australian dry-docking services, it was not necessarily opposed to the provision. The MUA was of the view, however, that the provision "must be carefully defined to prevent abuse".⁴⁰

Definition – 'voyage' – Item 15

3.38 Under Item 15, it is proposed to amend the definition of a 'voyage' to reflect the changes made to Sub-section 7(1) by Item 18. Item 15 would also extend the definition of a voyage to include voyages that commence from, and conclude at, the same port. The purpose of this amendment is to open the coastal trading regime to chartered recreational vessels that typically embark and disembark the same port, and wish to apply to the Minister for a declaration under Section 12 of the Coastal Trading Act.⁴¹

3.39 The MUA expressed concerns that this amendment would cover chartered recreational vessels that frequently embark and disembark at the same port, and argued that this amendment would, in effect, also provide protection from customs importation requirements and indefinite use of Maritime Crew Visas. The MUA voiced its strong opposition to the extension of the definition of 'voyage' and submitted that:

It has wide ranging implications for other types of vessel operations on intra-state voyages such as bunkering, transshipment operations and the domestic small cruise/marine tourism sector, that would be considered 'voyages' under the CT Act. Operators of such vessels could therefore automatically apply for a TL and commence using foreign crew.⁴²

3.40 However, this amendment was welcomed by a number of other stakeholders who agreed that this change would provide business with greater flexibility in its use

38 Ports Australia, *Submission 8*, p. 2.

39 Australian Institute of Marine and Power Engineers (AIMPE), *Submission 1*, p. 11.

40 Maritime Union of Australia, *Submission 18*, p. 10.

41 Explanatory Memorandum, *Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017*, p. 6.

42 Maritime Union of Australia, *Submission 18*, p. 8.

of freight services and shipping operations and would be consistent with international experience.⁴³

Five-voyage minimum requirement for a temporary licence – Item 22

3.41 As previously noted, the amendments contained in the bill propose to remove the five-voyage minimum requirement to apply for a TL. Item 22 amends the number of voyages required to be specified on a TL application and allows an application for a TL to consist of a single voyage.

3.42 Under the current system, a TL cannot be obtained for a single voyage, and applicants must know in advance the details of at least five voyages. The EM notes that this requirement "makes the system impractical for some operators, for example international shipping companies, which might otherwise conduct coastal trade at the end of an international voyage to Australia before departing".⁴⁴

3.43 The Regulation Impact Statement (RIS) for the bill also highlighted that a number of stakeholders had raised concerns regarding the nature of the licence system. In particular, the minimum voyage number limitation. It noted that this requirement:

...also tends to impact Australian businesses seeking to use spot hire (tramp traders), or other vessels under contracts of affreightment, at short notice for passengers or cargo. As opposed to liner shipping, tramp ships trade on the spot market with no fixed schedule or itinerary of ports of call.⁴⁵

3.44 Shipping Australia Limited (SAL) indicated its support for the removal of the 'five voyage minimum' requirement for a TL, but suggested that the relationship between a 'temporary licence' and the new 'single voyage approval' and subsequent approvals may need further clarification. Specifically, SAL questioned whether the 'temporary licence' and a 'single voyage approval' will be given separate approval and sought clarification about the definition of 'short notice'.⁴⁶

3.45 Superyacht Australia, the peak body for the superyacht industry, told the committee that the current legislation, which was designed for the commercial shipping industry, is not workable for the superyacht industry. Superyacht Australia noted that a Coastal Trading Licence – the 12 month temporary coastal trading license under the current legislation – had been suggested as a possible solution. It was

43 See for example, North Star Cruises Australia, *Submission 12*, Australian Trade and Investment Commission, *Submission 9* and Australian Industry Group, *Submission 17*.

44 Explanatory Memorandum, *Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017*, p. 8.

45 Department of Infrastructure and Regional Development, *Regulation Impact Statement, Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017*, September 2017, p. 10.

46 Shipping Australia Limited, *Submission 6*, p. 11.

argued, however, that the 'five voyage minimum' and the definition of 'voyage' place clear restrictions on companies conducting yard or refit work between charters.⁴⁷

3.46 Master Mariner, Mr E J Wilson, raised concerns about removing the requirement for foreign vessels to comply with the five voyage minimum. It was noted that, currently, under the five voyage arrangement, foreign ship owners and shippers are required to show that there is sufficient volume of business to justify a TL. Mr Wilson submitted that this amendment will open the Australian coast to any foreign ship that can apply for a TL to trade for single or continuous voyages, and argued that the proposed changes:

...only serve the interests of foreign flag vessels, invariably flag of convenience vessels chosen by shippers for the cheapest crews and rates and whose interests are opposed to the Australian shipping industry and against the national interest.⁴⁸

3.47 The Company of Master Mariners of Australia indicated that it is opposed to the removal of the five voyage minimum, arguing that removal of the five voyage minimum will mean that any foreign ship can apply for a TL for a single voyage, which will destroy any protection for local shipping. Further, it was noted that:

At least under the five voyage arrangement foreign shipowners are required to show that there is sufficient volume of business to justify a temporary licence.⁴⁹

3.48 The MUA also noted its opposition to the removal of the current five-voyage minimum requirement to apply for a TL. It argued that the removal of the five-voyage minimum is "likely to increase the number of TLs granted, when such work could be done by Australian crewed ships, operating under a GL".⁵⁰ It was also argued that:

The original purpose of this measure was to allow GL ships a reasonable degree of visibility of the trade they are bidding for, and to facilitate their potential in this trade.⁵¹

3.49 However, DIRD told the committee that during consultations, one of the key administrative burdens regularly raised by stakeholders was the requirement under the current legislation to apply for a minimum of five voyages. DIRD noted that:

We have a range of stakeholders, companies, who would like to move goods for which their needs are infrequent and therefore ships cannot actually allocate what those five voyages will be for and therefore are unable to apply for a licence. We have had situations in that particular

47 Australian International Marine Export Group Ltd – Superyacht Australia, *Submission 5*, [p. 5.]

48 Mr E J Wilson, *Submission 4*, [p. 1].

49 The Company of Master Mariners of Australia, Sydney Branch, *Submission 13*, [p. 1].

50 Maritime Union of Australia, *Submission 18*, p. 7.

51 Maritime Union of Australia, *Submission 18*, p. 7.

circumstance where that has led to companies having to move goods by truck, because they are not able to move them on a ship.⁵²

Responsibility of the Minister to consult – Item 41

3.50 As noted in the EM, there are currently no Australian ships operating across a number of sectors in Australia – this includes oil or gas tankers. Given this situation, it has become both inefficient and unnecessary to consult all GL holders for every TL application that is received.⁵³

3.51 Under amendments proposed in Item 41, if a TL holder wishes to vary their licence – and their cargo has not been determined by the Minister under Subsection 30(2) – the Minister would no longer be required to consult on variations to the voyage. The EM argued that the amendment would reduce the inefficiency and uncertainty caused by unnecessary consultation and lead to the more efficient consideration of licence applications.⁵⁴

3.52 The MUA made clear its support for Section 30 of the Coastal Trading Act, which requires the Minister to publish details of relevant TL applications on DIRD's website within two business days following the receipt of an application. The MUA submitted that in removing this safeguard, the Minister would have the power to determine which kinds of cargo or passengers must engage in consultation with the persons affected. Further, it argued that:

This is meant to facilitate the streamlining of applications where it is known that there are no GL vessels however, a new GL holder would be denied the opportunity to contest the voyage, and similarly, unions are denied [the] opportunity to oppose such an application for a TL. The MUA strongly opposes this proposal, as it will deny meaningful consultation with affected stakeholders and reduce transparency.⁵⁵

3.53 The AIMPE also expressed concern that it would no longer be mandatory for the Minister to consult. The AIMPE indicated its strong opposition to any change to the level of information that is provided to industry stakeholders, noting that this represents a reduction in the transparency that was introduced in the 2012 legislation. Further, it was argued that this amendment would take the industry back to the days when minimal information was provided about single voyage permits and continuing voyage permits for foreign shipping in coastal trades.⁵⁶

52 Ms Judith Zielke, Department of Infrastructure and Regional Development, *Committee Hansard*, 23 May 2017, p. 116.

53 Explanatory Memorandum, *Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017*, p. 9.

54 Explanatory Memorandum, *Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017*, p. 9.

55 Maritime Union of Australia, *Submission 18*, p. 7.

56 Australian Institute of Marine and Power Engineers (AIMPE), *Submission 1*, p. 9.

3.54 DIRD told the committee that in practical terms, the proposed streamlining of the licensing process (where no GL vessels are available) would mean that foreign-flagged vessels would be allowed to carry petroleum products – particularly as there are no Australian-flagged vessels capable of doing so. DIRD advised that each time a ship wants to carry goods, that voyage – no matter what the circumstances – is advertised to all GL holders. The consultation currently occurs even when there is an awareness that there is no Australian ship to carry those goods. DIRD noted that this amendment would – "only in the circumstances where we know that there are no Australian ships to carry those goods – remove the need for us to go out and advertise it to all of the general licence holders".⁵⁷

Committee view

3.55 The committee acknowledges the concerns raised by those who oppose provisions in the bill. However, the committee notes that many of these concerns stem from an expectation that the Coastal Trading Act would 'revitalise' the Australian shipping industry.

3.56 While the committee recognises that there is a wider debate about coastal shipping in Australia, reflected in a series of reviews into Australia's shipping sector, the committee was specifically tasked with considering the provisions of the bill.

3.57 During the DIRD consultation process, it became clear that while stakeholders and users of coastal shipping services, particularly in the manufacturing, petroleum industry sectors, supported the Australian shipping sector, they also recognised the need for further deregulation.

3.58 The committee notes that the bill does not propose substantial changes to the current coastal trading regime. It does, however, propose a number of amendments which would reduce red tape and simplify the administration of the coastal trading regime. The committee also notes that the proposed changes will result in decreased costs and a reduction in the administrative burden – both for industry and the Government. The committee therefore supports the passing of the bill.

Recommendation 1

3.59 The committee recommends that the bill be passed.

57 Ms Judith Zielke, Department of Infrastructure and Regional Development, *Committee Hansard*, 23 May 2017, p. 118.

Senator Barry O'Sullivan

Chair