

Chapter 2

The effects of flags of convenience on the Australian maritime sector

2.1 This chapter discusses areas of concern raised by witnesses and submitters relating to the effects of the increasing use of flag of convenience (FOC) vessels and its effects on the Australian employment and labour market, namely:

- the challenges of increases in FOC shipping for the local maritime sector, particularly the competitive advantages enjoyed by FOC vessels from the lighter tax and regulatory burdens they are subject to;
- the loss of jobs for local seafarers, the loss of employment opportunities for young Australians looking for work in the maritime sector, and the risks coming from the depletion of a skills base in Australian shipping;
- the subsequent loss of Commonwealth tax revenues from the loss of Australian jobs in shipping sector; and
- the loopholes in the temporary shipping licences provisions of Australian maritime law that encourage the use of FOC ships over Australian-owned and crewed vessels.

2.2 This chapter also includes a case study of the *MV Portland*, which was a vessel owned by Alcoa to freight cargo on a regular route between Kwinana in Western Australia and the company's smelter in Portland, Victoria. Alcoa's replacement of the *MV Portland* with FOC vessels in 2015 exemplifies the devastating effect increasing use of FOC shipping has had for many local Australian jobs.

2.3 Lastly, this chapter notes the positive example of cabotage provisions provided internationally by the US *Merchant Marine Act 1920* (the 'Jones Act'), which protects and assures the integrity of the US shipping industry.

The challenge of FOCs for Australian shipping

2.4 The committee received evidence that argued FOC operators enjoy significant tax and regulatory advantages that make it very difficult for the Australian shipping sector to be competitive. This evidence suggested that this has caused a significant loss of local jobs and employment opportunities, particularly for young Australians, as well as a potential depletion of the expertise and skills base needed for a healthy and productive Australian maritime workforce in the future.

Unfair competitive advantages enjoyed by FOCs

2.5 The Maritime Union of Australia (MUA) outlined how FOC shipping has an unfair competitive advantage, due to the lighter tax and regulatory burdens it is subject to in comparison to the local sector:

The international shipping industry... is not paying its fair share of tax and has no commitment to the security, social and environmental impact it has on Australia. This creates, basically, unfair competition. How can an Australian operator operate in an Australian industry with all the regulatory and legislative requirements [applying to] any Australian industry, including taxation, when its competitor does not? Our respectful submission would be, therefore, that flag-of-convenience and international ships are given a competitive advantage...¹

2.6 The International Transport Workers' Federation - Australia (ITF Australia) agreed with this position, and provided a comprehensive account of the competitive advantages for companies using FOC vessels:

FOCs enable shipowners to minimise their operational costs by, *inter alia*, tax avoidance, transfer pricing, trade union avoidance, recruitment of non-domiciled seafarers and/or passport holders on very low wage rates, non-payment of welfare and social security contributions for their crews, using seafarers to handle cargo, and avoidance of strictly applied safety and environmental standards. As a result, FOC registers enjoy a competitive advantage over those national registers which operate with high running costs and are subject to the laws and regulations of properly established maritime administrations in the flag state.²

2.7 Mr Dean Summers, Coordinator, International Transport Workers' Federation (ITF), gave some examples of how Australian vessels also were liable for not only higher wage costs for their crews, but also the price of more stringent security standards:

...flags of convenience are deregulated. They do not pay tax, they do all the bad things and all of their standards - safety, pollution, everything else - are a minimum standard. Australians are more expensive because [they] are better quality seafarers, they are responsible, they have security. We heard yesterday each Australian ship costs a million dollars to have a security standard imposed on that ship, so there has been some move to take that away. The differences are stark.³

Job losses from the increasing use of FOC shipping

2.8 Some evidence noted that increasing use of FOCs has resulted in a significant loss of Australian jobs over recent decades.⁴ For example, the Australian Institute of Marine and Power Engineers (AIMPE) submitted that many Australian vessels had

1 Mr Paddy Crumlin, National Secretary, Maritime Union of Australia, *Committee Hansard*, 4 December 2015, p. 5.

2 *Submission 22*, p. 22.

3 *Committee Hansard*, 3 February 2016, p. 13.

4 Maritime Engineers Pty Ltd, *Submission 5*, pp 2-5; Australian Institute of Marine and Power Engineers, *Submission 9*, p. 3.

been replaced by FOC vessels fulfilling the same shipping task, but employing overseas workers:

...every time we lose an Australian ship it is because it has been displaced by a tax-free 'Flag-of-Convenience' ship... employing mostly tax-free foreign seafarers. In many cases the Australian-owned ship has been withdrawn from the Australian Flag and the same ship then re-Registered under a 'Flag-of-Convenience', but the ship continues doing exactly the same Australian Domestic/Coastal trading as it had done before, but with the Australian jobs gone.⁵

2.9 The Australian Maritime Officers Union noted how maritime job losses are affecting the current workforce, as well as potential future maritime workers:

We are constantly contacted by members, and non-members, who recently gained their qualifications who cannot secure any work. They often add that the majority of those they studied with are in similar positions.

Our older members fear for their industry. They see the short term opportunism of multinational companies exploiting our natural resources or facilitating the 99% of Australia's trade volumes through shipping without providing opportunities for young Australian workers in our never ending pursuit of lower costs and greater shareholder returns as perverse.⁶

Loss of skills, lower standards and the future capacity of Australian seafaring

2.10 The committee received evidence that argued the current seafaring job losses would translate into a serious depletion of capacity in the Australian shipping sector in the near future. For example, the MUA highlighted the importance of fostering the skills base of the current maritime workforce for our future economic health:

Coastal shipping comes and goes, but it is the only area [of the local maritime industry] in which we can build our skills. All of those ships coming into and out of Port Hedland or the Great Barrier Reef need pilots. A lot of those pilots have to be master mariners. All of those people checking the regulation and the environment have to be seagoing engineers... How are we going to regulate our economy with those maritime skills if we have not got some semblance of an industry that employs Australians.⁷

2.11 Mr Zach Kinzett, a former crew member of the *MV Portland* appearing in a private capacity, told the committee that in the maritime sector there was often an intergenerational transfer of skills, which was being threatened by job losses:

In a lot of [the] industry you tend to find that sons usually follow their mother's or father's footsteps and, with that, it breeds a generation with a

5 *Submission 9*, p. 6.

6 *Submission 20*, p. 2.

7 *Committee Hansard*, 4 December 2015, p. 6.

skill base. I am the next generation coming through. If you remove the merchant fleet of Australia you are effectively wiping out generations of skilled labour. If my kids want to have the opportunity to go to sea, there might not be an industry there.⁸

2.12 The WWF outlined some of the other ways in which FOC crews could potentially reduce the standards of shipping in Australian waters:

...[a limited] knowledge of English which results in poor communications between Australian authorities and ship masters and limited understanding of the regulatory requirements for shipping in Australian waters; no access to recent electronic charts that are regularly updated; and limited, to no experience with Australian coastal conditions thus increasing the risk of navigational areas resulting in groundings or other shipping incidents.⁹

2.13 Several witnesses also noted the very high standards of Australian training for maritime workers, which is exemplified by the Integrated Rating (IR) system. Under the IR system, Australian seafarers must have 16-weeks of college training and 36-weeks of work on a vessel before becoming fully qualified as an IR. Mr Summers, from the ITF, stated to the committee that the integrity of the IR meant:

It is well recognised that the Australian seafarers are the most highly trained and best skilled in the world. Foreign seafarers on FOC get the cheapest training available...¹⁰

2.14 Regarding the training standards of Australian seafarers, the MUA submitted:

We go far beyond... the Standards of Training, Certification and Watchkeeping for Seafarers—which is the IMO standard. We are of course much higher than that because, through the marine orders, there is a higher stringency, a higher training regard. We want to do better than the minimums. We want to excel because in our view, as a nation, we want to be better than the minimum at risk mitigation against environmental catastrophe and the consequential economic flow-on effects.¹¹

2.15 The Maritime Engineers Pty Ltd argued that already poor outcomes for the shipping labour market would be exacerbated by any loosening of the visa requirements for foreign workers:

Then there is a move to simplify the visa system for foreign seafarers to work on our coast. This again is an expedient move and shows a complete lack of confidence in offering seagoing careers for young Australians...

8 *Committee Hansard*, 3 February 2016, p. 10.

9 *Submission 14*, p. 2.

10 Mr Dean Summers, National Coordinator Australia, ITF, *Committee Hansard*, 3 February 2016, p. 11.

11 Mr Paddy Crumlin, National Secretary, Maritime Union of Australia, *Committee Hansard*, 4 December 2015, p. 6.

All of these moves, the removal of cabotage, and the entry of more foreign nationals into what remains of our marine workforce should be a serious concern to the broader industry...¹²

Depletion of Australian tax revenues

2.16 Some evidence received by the committee suggested FOC shipping was one way for multinational companies to reduce their tax burden in Australia.¹³ The MUA estimated that the tax-exempt status of FOCs depletes Commonwealth revenues by around \$9 billion annually:

Australian purchases of foreign shipping services create a drain of nearly \$9 billion annually on our balance of payments [as FOC vessels do not pay Australian tax]...¹⁴

2.17 Additionally, the committee heard that the loss of Australian jobs meant a reduction of Commonwealth income tax receipts and other economic benefits from workers on Australian ships losing the jobs, and the subsequent effects on communities that depended upon shipping employment.¹⁵

Loopholes in Australian temporary shipping licences

2.18 The *Coastal Trading (Revitalising Australian Shipping) Act 2012* (the Act) regulates coastal trade by granting licences that authorise vessels to carry passengers or cargo between ports in Australia. It has three types of licence that can be issued for interstate voyages: general, temporary and emergency.¹⁶ Regarding temporary licences, the Department of Infrastructure and Regional Development states:

A temporary licence provides access to engage in coastal trading in Australian waters—this licence is valid for 12 months and is limited to the voyages authorised by the licence.¹⁷

2.19 The Fairwork Commission states that ships engaged in coastal shipping on temporary licences must adhere to Australian employment law and conditions (including wages) in certain circumstances:

12 Maritime Engineers Pty Ltd, *Submission 5*, p. 4.

13 Australian Institute of Marine and Power Engineers, *Submission 9*, p. 3; Australian Maritime Officers Union, *Submission 20*, p. 3; International Transport Workers' Federation - Australia, *Submission 22*, p. 22.

14 Mr Paddy Crumlin, National Secretary, Maritime Union of Australia, *Committee Hansard*, 4 December 2015, p. 5.

15 Mr Zach Kinzett, Private Capacity, *Committee Hansard*, 3 February 2016, p. 10.

16 Department of Infrastructure and Regional Development, 'Coastal Trading' at https://infrastructure.gov.au/maritime/business/coastal_trading/ (accessed 3 February 2016).

17 Department of Infrastructure and Regional Development, 'Coastal Trading' at https://infrastructure.gov.au/maritime/business/coastal_trading/ (accessed 3 February 2016).

The Fair Work Act applies to ships engaged in coastal trading (including foreign-flagged ships) if they:

- are operating under a general, transitional or emergency licence, or
- are operating under a temporary licence and have:
 - made at least 2 other voyages under either a temporary licence or single voyage permit in the last 12 months, or
 - held a continuous voyage permit in the previous 15 months.

(See regulation 1.15 of the Fair Work Regulations 2009.)

The Fair Work Act applies from the day that loading begins until the day that unloading ends.¹⁸

2.20 The committee heard that these provisions are being exploited by companies using FOC ships on permanent domestic routes, and that this can exacerbate the decline of Australian-flagged shipping and the loss of local jobs in the maritime sector. In particular, the committee understands that the provision for Australian wages to be paid on the third and subsequent voyages can be bypassed by shipowners by having vessels leave Australian waters after the second voyage under a temporary licence. Alternatively, since temporary licences are transferrable between vessels, this condition can be circumvented by transferring the licence to another ship undertaking the same freight task.¹⁹

Case study: the replacement of Alcoa's *MV Portland* by FOC vessels

2.21 The recent events involving the *MV Portland* illustrate many of the themes relating to employment and FOC shipping that are drawn out in this chapter so far.

2.22 The *MV Portland* was a ship built and owned by Alcoa, which routinely carried alumina from the company's Kwinana plant, in Western Australia, to its smelters in Portland, Victoria, over 27 years.²⁰ The crew of the *MV Portland* were Australians, as required by the Act's provisions for regular voyages undertaken on set domestic routes.²¹

2.23 In October 2015 the Commonwealth granted Alcoa a temporary licence allowing them to engage FOC vessels manned by foreign crews on the Kwinana-

18 Fairwork Commission, 'Maritime industry – workplace rights and entitlements' at www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/rights-and-obligations/maritime-industry-workplace-rights-and-entitlements (accessed 22 February 2016).

19 Mr Ian Bray, Assistant National Secretary, MUA, *Committee Hansard*, 3 February 2016, p. 14.

20 Mr Dean Summers, National Coordinator Australia, ITF, *Committee Hansard*, 3 February 2016, p. 2.

21 Maritime Union of Australia, *MV Portland* pamphlet (February 2016), p. 4.

Portland route.²² Subsequently, Alcoa notified the crew of the *MV Portland* that they would no longer be required from 11 January 2016.²³

2.24 Some evidence received by the committee suggested that in awarding this temporary license, the Commonwealth had ignored both the requirements of Australian maritime law and its usual procedure. Mr Bray, MUA, told the committee that, since 'The law says that if there is an Australian vessel available to carry a domestic cargo, the Australian vessel is given the right to carry that cargo', he thought it was notable that:

...firstly, Alcoa in this particular case were the shipowner. They had complete control over the asset. They could have determined that that vessel run for another 12 months, two years or five years, depending on the cost of the dry dock. They were in complete control and they engineered the removal of the vessel to apply for the temporary licence....

Secondly, I have held meetings with various shipowners and operators around the country to ask whether they actually expressed an interest in an ongoing contract with Alcoa... [and found] There are a number of companies that did apply and, in particular, one that did not put one business tender in but put three business tenders in [unsuccessfully].²⁴

2.25 The ship's crew staged industrial action protesting the loss of almost 40 jobs and the use of FOC vessels to replace the permanent Kwinana-Portland run. The basis for this action was explained to the committee by Mr Kinzett:

We have been fighting Alcoa because they sacked nearly 40 Australian seafarers and removed the national-flagged ship from service without an adequate explanation and contrary to the recent decision by the Australian parliament. The company is also the long-term recipient of a subsidy from the Victorian state government that runs into tens of millions of dollars a year. It may even be \$100 million, but no-one knows, as those numbers are not made public. The work has not dried up. Alcoa intends to continue the trade in foreign-flagged ships with foreign crews, and it is supported by the Turnbull government, which wants to open up the Australian coast to cheap, nasty, risky shipping.²⁵

2.26 Following a 60-day dispute, at 1am on 13 January 2016, five members of the crew undertaking industrial action on board the vessel were forcibly removed from the ship by 30 security guards working for a private firm.²⁶ Following this, a number of

22 Maritime Union of Australia, *MV Portland* pamphlet (February 2016), p. 4.

23 Mr Ian Bray, Assistant National Secretary, MUA, *Committee Hansard*, 3 February 2016, p. 6.

24 *Committee Hansard*, 3 February 2016, p. 7.

25 *Committee Hansard*, 3 February 2016, pp 9-10.

26 Mr Zach Kinzett, Private Capacity and Mr Ian Bray, Assistant National Secretary, MUA, *Committee Hansard*, 3 February 2016, pp 9 and 24 respectively.

foreign seafarers were taken on board to crew the *MV Portland* on its voyage to Singapore, where it was later sold.²⁷

2.27 Importantly, the committee received evidence that showed that Alcoa still required ships to operate a regular voyage freighting alumina between Kwinana and Portland, but that this was now being done using FOC vessels and exploiting a loophole in Australian maritime law. Ships that have taken over Alcoa's Kwinana-Portland route have been the *Strategic Alliance*, a Singaporean-flagged ship owned by a US-based company, as well as the *Greenery Sea* and the *Asia Spirit*, which are both FOC vessels operated by foreign crews.²⁸

2.28 Mr Bray, MUA, commented on the use of these ships on a regular freight route that should be subject to the provisions of Australian maritime law:

The fact was that the jobs were not drying up; the trade was not drying up. The smelter is not closing. They still need ships. They just made a decision that they were going to use the very flag-of-convenience ships [that have just been] described to continue that trade and push our members out of work. We have currently got the cabotage rules in place and we know that the legislation was challenged last year in the lower house and then it came to the Senate and was defeated. Those cabotage provisions are there while those laws exist. The fact is that they are now being ignored.²⁹

2.29 Mr Ian Bray, Assistant National Secretary, MUA, estimated the switch to FOC vessels would save Alcoa \$6 million annually.³⁰ However, Mr Kinzett commented this cost saving also came with a significant drop in the quality of the ships undertaking the Kwinana-Portland run:

The *MV Portland* has been carrying alumina from Alcoa's Kwinana plant to its smelter in Portland for more than 27 years. This domestic trade will continue. So far all of the replacement ships used by Alcoa have been substandard for differing reasons...³¹

2.30 More specifically, the committee heard about serious concerns that the ITF and MUA had about the serious underpayment of seafarers on the ships that had replaced the *MV Portland*.³² Mr Kinzett explained that the workers who had replaced the *MV Portland* crew were paid very low wages, and thereby saved Alcoa money:

We are angry about the conduct of the United States-based miner Alcoa and the Turnbull government, which allowed the company to use a 12-month

27 Mr Zach Kinzett, Private Capacity and Mr Ian Bray, Assistant National Secretary, MUA, *Committee Hansard*, 3 February 2016, pp 9 and 24 respectively.

28 *Committee Hansard*, 3 February 2016, p. 2.

29 *Committee Hansard*, 3 February 2016, p. 6.

30 *Committee Hansard*, 3 February 2016, p. 8.

31 *Committee Hansard*, 3 February 2016, p.9.

32 Mr Dean Summers, Coordinator, ITF, *Committee Hansard*, 3 February 2016, p. 2.

temporary licence to bring in foreign vessels and foreign crews for as little as \$2 an hour.³³

2.31 Further to this, Mr Summers, ITF, told the committee that some serious irregularities and potentially corrupt practices had come to light in the ITF's examination of the financial affairs onboard the *Strategic Alliance*:

On this ship they had an accounting structure whereby the captain would pay-off government officials of at least three countries: law enforcement agencies, port officials and immigration officials. He would send those receipts back to the company in the United States and they would send back the money that he used to bribe officials. It is open bribery and it is not even challenged by the company. They said it was a mistake by one captain. Since then, we have got rid of that captain and the practice has not occurred again but it was very, very clearly an open accounting practice.³⁴

2.32 Mr Ian Bray, MUA, noted that international crews had far less training than the *MV Portland* crew. He noted this was not solely the case for seafarers on FOC vessels operating the Kwinana-Portland route, but also the foreign crew brought in to work on the *MV Portland* following the eviction of the Australian crew on 13 January 2016, and other ships:

...it is not only about the three vessels that have replaced the *Portland* and carry cargoes, and it is not only about the vessel that is replacing the *CSL Melbourne*; it is about the crew that came in in the middle of night and replaced the Australian crew on the *MV Portland*... We know that those seafarers could not have had the qualifications that were required to meet the Minimum Safe Manning Certificate on that vessel. The Minimum Safe Manning Certificate on that vessel stated quite clearly that this vessel cannot proceed to sea with fewer than five integrated ratings. We know that nowhere else in the world, other than New Zealand, issues Integrated Rating Certificates, so how did they get this qualification or this recognition?³⁵

2.33 The *MV Portland* case also illustrates the effects of FOC shipping on the contribution of Australian crews to Commonwealth tax receipts and the financial wellbeing of their local communities. Mr Kinzett, Private Capacity, told the committee that:

Ultimately, [the former crew members of the *MV Portland*] are just Australian workers in an Australian industry... We have families and mortgages, we pay tax and we contribute to local businesses....We have been replaced by exploited foreign crew and the flag of convenience ships

33 *Committee Hansard*, 3 February 2016, p. 9.

34 *Committee Hansard*, 3 February 2016, pp 2-3.

35 *Committee Hansard*, 3 February 2016, p. 2.

owned by companies that pay no tax and operate out of places such as Liberia, Mongolia and Panama.³⁶

2.34 The MUA mounted a challenge to Alcoa's actions in the *MV Portland* case through the Fair Work Commission and the Federal Court system, which were unsuccessful.³⁷

The need for more stringent cabotage provisions in Australia

2.35 Some witnesses and submissions highlighted that other nations protect their domestic shipping more thoroughly than Australia. For example, the MUA argued:

Countries that do need shipping - like the Philippines, Japan, China, the US, Australia, Indonesia, Brazil and South America - protect their domestic shipping because it is an intrinsic part of their domestic transport infrastructure. It is not a revolutionary concept; it is a process of governance and understanding... With the enormous needs and the enormous coastline and the diversity of the Australian economy, it is completely counterintuitive to remove shipping from the domestic infrastructure pattern.³⁸

2.36 The AIMPE agreed with this position:

Most other countries pass laws so that a ship may only regularly trade in that country's coastal/domestic shipping industry if the ship is Registered under that nation's flag, which makes those ships, seafarers and companies all subject to that nation's laws....including tax laws.

Australia's willingness to Permit foreign/ 'Flag of Convenience' ships to regularly trade in Australia's coastal/domestic shipping industry without requiring the ship to Register in Australia and thereby submit to Australian sovereignty is highly unusual. Amongst major shipping nations and [Organisation for Economic Co-operation and Development (OECD)] nations Australia already has a more wide-open policy than any country other than New Zealand.³⁹

2.37 The ITF Australia commented that this was particularly important for the freight of dangerous coastal cargoes such as alumina and ammonium nitrate.⁴⁰ This issue is discussed further in the following chapter of this report.

36 Mr Zach Kinzett, Private Capacity, *Committee Hansard*, 3 February 2016, p. 10.

37 Maritime Union of Australia, *MV Portland* pamphlet (February 2016), p. 4.

38 Mr Paddy Crumlin, National Secretary, Maritime Union of Australia, *Committee Hansard*, 4 December 2015, p. 4.

39 *Submission 9*, p. 4.

40 Mr Dean Summers, Coordinator, ITF, *Committee Hansard*, 4 December 2015, p. 24.

Cabotage provisions provided by the US 'Jones Act'

2.38 The committee was interested in cabotage provisions under the US *Merchant Marine Act 1920* (the 'Jones Act'), as it was cited in evidence as an example of a healthy and sustainable domestic shipping industry. This was due to the protection it offers US domestic shipping, as well as the way it strengthens the US national security system and economic interests.

2.39 Rear Admiral Robert Riley, US Navy (Retired) explained the scope of the Jones Act, particularly the protection it offers US ship operators:

...the Jones Act is cabotage. It applies in the maritime arena and it can apply in aviation and the like. It simply states that if you are going to operate a vessel, in the case of the maritime community that operates from a US port to a US port—and that can be a port up a river, a port in Alaska, a port in Puerto Rico or a port up or down our coast—that vessel will be built in the United States, crewed by US licenced and unlicenced mariners whose course curriculums have been approved by our Coast Guard who works with our school houses and it is to be owned, at least 75 per cent, by a US company.⁴¹

2.40 Rear Admiral Reilly went on to explain that approved US-owned merchant ships could be used by the government to respond to national disasters or national crises under the Jones Act:

For the Department of Defense, having our merchant maritime community, which we call the fourth arm of defence, is absolutely critical for us to respond in terms of national crises and disaster. We have called upon them time and time again. This is a capability and being that we do not need to be totally on the US government payroll. This is where we have a mixture of best business practices that include maintaining military-useful cargo ships in a reserve capacity parked at piers, in case we need them, with a reduced operating crew. It includes agreements with 60 of our only 88 Jones Act flagged US vessels, so that if we need to recall them for active service, for whatever means, we can do that.⁴²

2.41 Rear Admiral Riley commented that the Jones Act assisted the US to maintain the core competencies and expertise of its maritime workforce:

One of the reasons we support the Jones act is that by having these 175 ships maintained in the US shipyards from Hawaii to Mobile, Alabama we retain the core competencies—the welders and electricians. That is the most dangerous working environment that you can imagine and that is another area that is regulated. The same applies when you get into things like nuclear submarines.⁴³

41 *Committee Hansard*, 4 December 2015, p. 13.

42 *Committee Hansard*, 4 December 2015, p.12.

43 *Committee Hansard*, 4 December 2015, p. 15.

2.42 Also discussed was the serious security and economic risks the US would face without the protections offered by the Jones Act:

Repeal of [the Jones Act], which would allow foreign-built, foreign-operated, foreign-manned, and foreign-owned vessels to operate on American waters, would effectively transfer a core American defense industry, i.e., shipbuilding, overseas to other nations which heavily subsidize their shipyards and play by their own set of rules.

...Without the Jones Act, the U.S. Coast Guard and other government entities would face the daunting task of monitoring, regulating, and overseeing potentially tens of thousands of foreign-controlled, foreign-crewed vessels in internal U.S. commerce. As a result, America would be more vulnerable and less secure.⁴⁴

2.43 The ITF commented that the Jones Act recognised the maritime sector's essential role in US national security, whereas Australia's shipping system does not:

The Jones Act essentially says that the fourth arm of defence, the merchant seafarers - and in Australia we are dumping our seafarers and replacing them with other seafarers from international markets under FOC ships - are of a value, not just a monetary value but a value in national security. We know who they are and what they are doing at all times. It is same in Australia: they are going to know what we are doing because we are going to be sitting on the unemployment lines while other seafarers are taking our jobs.⁴⁵

2.44 The following chapter of this report discusses the implications of the increase in FOC shipping for Australia's national and fuel security systems, and the state of our environment. Furthermore, the following chapter also discusses some issues relating to seafarers aboard FOC ships, including: their low wages; poor employment and working conditions; the less stringent training and safety regimes they are subject to; and the lack of shore-based assistance for them in Australia.

44 Written statement made by Rear Admiral Robert Riley (Retired) for the committee, cited by Senator Joe Bullock in *Committee Hansard*, 4 December 2015, p. 14.

45 Mr Dean Summers, Coordinator, ITF, *Committee Hansard*, 4 December 2015, p. 21.