

Chapter 4

Committee view and recommendations

4.1 As an island nation, shipping is central to Australia's economic health and the maintenance of a robust national security system. The committee considers that a healthy domestic shipping sector, of locally-owned vessels crewed by Australians, should be an essential part of our national transport infrastructure.

4.2 The committee recognises that ships sailing under the flags of other nations will inevitably play a significant role in Australia's economy, particularly in respect of international trade. However, compelling evidence presented to the inquiry suggested there are evolving challenges to the Australian maritime sector from the increasing use of flag of convenience (FOC) shipping.

4.3 In particular, it is clear that our domestic maritime sector is finding it increasingly difficult to compete with shipping operations that pay very little tax – both in Australia and elsewhere, have fewer regulatory and compliance burdens, and that are able to pay their seafarers far below Australian wages, sometimes less than \$2-an-hour.

4.4 This should be of great concern to the Commonwealth. Any further decline in the local maritime sector will create a substantial loss of jobs for Australian workers, and will deplete capacity and skills in our future maritime sector. It could also threaten the safety of this nation, not only by creating vulnerabilities in our national and fuel security systems, but also by threatening the health of our marine environment.

4.5 This inquiry highlighted two case studies that illustrate how the increasing use of FOC vessels in Australian waters is profoundly affecting the local shipping industry.

4.6 The committee received compelling evidence about sacking of the Australian crew of Alcoa's *MV Portland* vessel in early 2016, and their replacement by foreign workers. These local seafarers, who pay Australian taxes, and support their families and local communities, were replaced by lesser-skilled workers being paid less than \$2-an-hour on FOC vessels. The Kwinana to Portland route serviced by the *MV Portland* is a permanent run for Alcoa, yet it is now being undertaken by FOC ships on temporary licenses. This is evidence of the poor outcomes of FOCs for Australian workers, as well as the insufficient oversight of the temporary license provisions for FOC vessels by the Australian Commonwealth.

4.7 Secondly, evidence received by the committee regarding the *MV Sage Sagittarius* showed insufficient Commonwealth oversight of workers on maritime visas working on FOC vessels. The committee was very concerned about the apparent lack of monitoring of foreign seafarers working in Australian waters, and the repeated entry of a person who had admitted to underhand behaviour, including bullying, coercion and gun running. This lack of oversight could indicate certain vulnerabilities in Australia's security system that are ripe for exploitation by individuals working on FOC vessels in the future.

4.8 Moreover, the cases of both the *MV Portland* and the *MV Sage Sagittarius* demonstrated that, despite progress in the international shipping sector since the *Ships of Shame* reports in the early 1990s, there are still many improvements in seafarer's conditions yet to be made.

4.9 Given these examples and other evidence received, the committee considers that the Commonwealth should give more serious consideration to the centrality of Australian shipping to the health of our national economy and security systems, as well as to our environment, by undertaking a full review of our maritime sector.

4.10 In this review, it should apply an evidence-based, rather than ideological approach to assessing the wisdom of allowing the total destruction of the Australian shipping sector. The committee calls on the Commonwealth to comprehensively consider ways that it can work to strengthen the local maritime sector. In particular, the Commonwealth should look at legislating to encourage the use of Australian-flagged ships crewed by Australian workers for our coastal trade, building on the 2012 reforms that look to revitalise the local shipping industry.

4.11 The committee considers that this inquiry has raised significant concerns around FOC shipping for the Commonwealth, which warrant continued investigation in the future. For this reason, it has decided to table this report as an interim report, hoping that this committee will be able to take up some unresolved aspects of this inquiry in the next session of Parliament.

Recommendation 1

4.12 The committee recommends that the Commonwealth undertake a review of the Australian maritime sector, with a view to building on the 2012 reforms aimed at growing the Australian-flagged shipping industry in the future.

Recommendation 2

4.13 The committee recommends that this review include a comprehensive whole-of-government assessment of the potential security risks posed by flag of convenience vessels and foreign crews.

Recommendation 3

4.14 The committee recommends that this review include consideration of ways to harmonise the operations of the Australian shipping sector across jurisdictions through COAG to reduce red tape for vessel and port operators, including cargo handling provisions.

Recommendation 4

4.15 The committee recommends that this review include widespread consultation with the Australian shipping industry to ensure that its findings are relevant and directed to shared objectives for the future of the local maritime sector.

Recommendation 5

4.16 The committee recommends that the Commonwealth immediately tighten the provisions for temporary licenses in Australian maritime law, to flag of

convenience vessels being used on permanent coastal freight routes if they fail to pay Australian award wages to their crew.

Recommendation 6

4.17 The committee recommends that the Commonwealth adopt a broader and more rigorous approach to the risk assessment and oversight of seafarers working in Australian waters on maritime visas, and better share this information across relevant Commonwealth and jurisdictional agencies.

Recommendation 7

4.18 The committee recommends that the Australian Government continue to work with international agencies, including the International Labour Organisation (ILO), to improve the working conditions, safety standards, and rates of remuneration for seafarers working in international shipping.

Recommendation 8

4.19 The committee recommends that the Australian government look for ways to support the Maritime Labour Convention (MLC) to make flag of convenience shipping more accountable to international law and, when in Australian waters, to our national regulations.

Recommendation 9

4.20 The committee recommends that the Commonwealth consider ways to improve the early intervention and counselling resources available to crews on international vessels, including those operating on flag of convenience registers.

Senator Glenn Sterle

Chair

