



# The Maritime Union Of Australia

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Ref: 06/3/1/1606

23 March 2006

Senator Bill Heffernan  
Chairman  
Senate Rural and Regional Affairs and Transport Committee  
Parliament House  
CANBERRA ACT 2600

Dear Senator

**Re: Inquiry into Australia's future oil supply and alternative transport fuels**

The Maritime Union of Australia (MUA) represents workers in the shipping, stevedoring, port and towage sectors of the maritime industry.

We appreciate the opportunity to make a brief submission to the inquiry. We regret not having lodged our submission by the due date. We trust it will nevertheless be considered. One reason our submission is late is that we are awaiting advice from Customs Australia regarding the Customs duty applying to bunker in a range of circumstances (set out in **Attachment A**). The MUA was advised today, 23 March 2006, that Customs is currently reviewing the policy in relation to the definition of "international voyage" and will not be able to provide advice to the MUA for 2-3 weeks. In the circumstances I felt it important to lodge this submission and to advise that subject the Customs advice, we may need to lodge a supplementary submission.

The MUA wishes to draw to the attention of the Committee an inequity in the pricing of bunker fuel used for bunkering arising from a differing tax regime applying to Australian registered ships on the one hand, and foreign registered ships on the other, insofar as those ships operate in the Australian coasting trade. Bunker is defined as the fuel that powers the engine of a ship and bunkering is the term used to define 're-fuelling' of a ship.

Item 5 subsection 38-185(1) of GST Act provides that export of goods that are to be consumed on international flights or voyages will be GST-free. Item 5 provides that a supply is GST-free if it is a supply of:

- (a) aircraft's stores, or spare parts, for use, consumption or sale on an aircraft on a flight that has a destination outside Australia; or

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(b) ship's stores, or spare parts, for use, consumption or sale on a ship on a voyage that has a destination outside Australia;

whether or not part of the flight or voyage involves a journey between places in Australia.

Thus, where a ship bunkers in Australia, and is on a voyage that has a destination outside Australia, the bunker fuel for the ship will be considered as 'ships stores' and thus GST-free. It would not matter whether or not part of the flight or voyage involves a journey between places within Australia.

The effect of this tax regime is that foreign registered ships that are granted a Single Voyage Permit pursuant to section 286 of the *Navigation Act 1912*, which are in effect competing with Australian registered ships in the coasting trade, have a tax advantage over Australian registered ships. This is not only contrary to the principle of competitive neutrality which is being strongly promoted in decisions on reforming Australia's transport and logistics sector emanating from the Council of Australian Governments (COAG) but it favours foreign shipping in the Australian coasting trade.

Some of the foreign vessels that are attracting this tax advantage are in fact Flags of Convenience (FOC) ships. It is surely anomalous that Australian taxation policy favours foreign shipping over Australian shipping. Worse however, that such a policy is actually encouraging FOC ships, which are a potential security risk, into the Australian coasting trade at a time when Australia is investing heavily in securing its borders through a robust maritime security regime.

Yours sincerely



**Paddy Crumlin**  
**National Secretary**

**List of circumstances where the MUA has asked for Customs advice on the application of Customs duty on bunker**

1. Bunker imported into Australia by a bunkering operator for use in an Australian registered commercial vessel operating in international trade (overseas voyages);
2. Bunker imported into Australia by a bunkering operator for use in an Australian registered commercial vessel operating in the Australian coasting trade as defined in Part VI of the *Navigation Act 1912*;
3. Bunker imported into Australia by a bunkering operator for use in a foreign registered commercial vessel operating in international trade (overseas voyages);
4. Bunker imported into Australia by a bunkering operator for use in a foreign registered commercial vessel operating in the Australian coasting trade under a permit issued pursuant to section 286 of the *Navigation Act 1912*;
5. Bunker brought into Australia on board a commercial vessel calling at one or more Australian ports to load or unload international cargo as part of an international voyage;
6. Bunker brought into Australia on board a commercial vessel calling at more than one Australian port where the vessel has been issued with a Single Voyage Permit pursuant to Section 286 of the *Navigation Act 1912*;
7. Bunker brought into Australia on board a commercial vessel calling at more than one Australian port where the vessel has been issued with a Continuing Voyage Permit pursuant to Section 286 of the *Navigation Act 1912*.