



The Maritime Union Of Australia

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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 – a supplementary submission by the Maritime Union of Australia

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

On 23 March 2006 we provided an initial (primary) submission to the inquiry, which inter alia, indicated that it may be necessary to provide a supplementary submission subject to advice we were awaiting from the Australian Customs Service. That advice has now been received, in our view necessitating a supplementary submission, as follows.

Advice received from the Australian Customs Service indicates that there is a distinction in customs duty payable on bunker or shipping fuels between ships engaged on coastal voyages as opposed to international voyages. Ships engaged in international voyages do not pay customs duty on bunker, meaning their bunker is up to 30% cheaper than the price paid for bunker by ship owners and ship operators licenced under the *Navigation Act 1912* to operate in the Australian coasting trade.

The effect of this discrepancy, and therefore price differential, is that it provides unfair competition for Australian ship owners and ship operators engaged in the coasting trade where the Government issues a Single Voyage Permit (SVP) pursuant to section 286 of the *Navigation Act 1912*. A ship to which an SVP is issued is a ship on an international voyage which just happens to be plying between two or more Australian ports as part of that international voyage and is permitted to carry coastal cargo between those Australian ports.

The customs duty advantage would also apply to vessels issued with a Continuing Voyage Permit (CVP) on those voyages involving a coastal voyage where an international voyage is also part of the overall voyage eg the 3 monthly voyages required to ensure compliance with the CVP condition requiring the vessel to leave Australia at least once every 3 months.

Vessels issued with SVPs (and CVPs under certain circumstances) are not required to pay customs duty on the fuel used or purchased to carry coastal cargo, unlike the requirement on an Australian licenced vessel which is competing with that foreign vessel for the coastal cargo.

This outcome 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 to the direct detriment of domestic ship owners and ship operators.

Some of the foreign vessels that are attracting this customs duty advantage are in fact Flags of Convenience (FOC) ships. It is surely anomalous that Australian customs duty 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.

It is our view that in the case of the GST anomaly referred to in our primary submission and in relation to the customs duty anomaly identified in this submission that any vessel engaged in the coasting under a permit issued pursuant to section 286 of the *Navigation Act 1912* be required to pay GST and customs duty on bunker (bought or used) whilst engaged in the coasting trade in Australia. This will ensure that all vessels operating in the coasting trade in Australia are operating on a level playing field.

Yours sincerely



Paddy Crumlin
National Secretary