MARITIME INDUSTRY AUSTRALIA LIMITED

Productivity Commission Australia's Maritime Logistics System

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About MIAL

Maritime Industry Australia Ltd (MIAL) is the voice and advocate for the Australian maritime industry. MIAL is at the centre of industry transformation; coordinating and unifying the industry and providing a cohesive voice for change.

MIAL represents Australian companies which own or operate a diverse range of maritime assets from international and domestic trading ships; floating production storage and offloading units; cruise ships; offshore oil and gas support vessels; domestic towage and salvage tugs; scientific research vessels; dredges; workboats; construction and utility vessels and ferries. MIAL also represents the industries that support these maritime operators – finance, training, equipment, services, insurance and more. MIAL provides a full suite of maritime knowledge and expertise from local settings to global frameworks. This gives us a unique perspective.

We work with all levels of government, local and international stakeholders ensuring that the Australian maritime industry is heard. We provide leadership, advice and assistance to our members spanning topics that include workforce, environment, safety, operations, fiscal and industry structural policy.

MIAL's vision is for a prosperous Australia with strong sovereign maritime capability.

MIAL's overarching position concerning maritime policy in Australia is that we ought to have a sustainable, viable maritime industry. This activity can occur anywhere – coastal, offshore and international. This maritime activity should encompass anything – freight, tourism, passenger movement, port and harbour services, offshore oil and gas, construction, scientific/research, essential services, and government services.

MIAL is an advocate for a fiscal and regulatory regime that makes it attractive for shipping and maritime businesses to exist in Australia and affords those Australian businesses every opportunity to compete for work and participate in maritime activity worldwide.

Executive Summary

Recent events – namely the COVID19 pandemic, the Suez canal blockage in 2021 and the Jan 2022 flood in South Australia rendering the east/west rail connection inoperable - have exposed several vulnerabilities in Australia's logistics system. A system that is already subject to market pressures and external factors beyond the control of Australian businesses and governments.

Australia's national merchant shipping capability has reached the point where:

- there is no vessel we can requestion to deliver liquid fuel or chemicals (for say, water treatment);
- very, very few suitable for the carriage of other essential products such as fertiliser or medical supplies; and
- the supply of skilled mariners this nation has relied upon has been so eroded that it will take decades to rebuild.

Australia is utterly exposed and reliant on foreign ships under foreign government or corporation control to service our trading needs and without adequate ship numbers the nation will struggle – indeed may absolutely fail - to develop the right talent to feed our ongoing need for strategic maritime skills in the future.

Our lack of national shipping capability, the increasingly contested waterways we rely on, the shifting international norms that govern shipping, a changing geopolitical landscape, the lack of capacity to develop our skilled mariners ensuring safety and our ever growing reliance on imports leaves us with very scant control over our maritime operations.

The issues of maritime domain resilience are falling between the cracks within government policies.

The two key steps that need to be taken to provide Australia with an appropriate level of maritime domain resilience are:

- First and foremost, Australia needs to create a level playing field with other nations to allow competitive ship ownership and operation to happen from Australia. With the right fiscal and regulatory structures in place, growth in the commercial Australian ship ownership sector will happen organically and naturally.
- To expedite provision of a base level of capability in key supply chains and the employment and training platforms needed to meet Australia's strategic maritime skills requirement, a dedicated number of vessels ought to be identified for further support from the Government.

As Australia transitions into areas of new economic activity other opportunities will present themselves. For example, the hydrogen export market will demand that the hydrogen cargo is carried to market on ships powered by clean energy. Such investment in the ships themselves, and Australia's interest in the end-to-end supply for the product, will present new opportunities for Australia to secure the logistics chain, gain economic benefit and create new Australian jobs.

This and other future opportunities should be firmly on the Australian radar for future investment

This submission, and numerous others that have preceded it referenced herein, provide the detail on the how to build these and elaborate on why it essential to do so without further delay.

Introduction

The Productivity Commission has been tasked with reviewing Australia's maritime logistics system and been given broad terms of reference. The stated purpose of this inquiry is to understand any long-term trends, structural changes, and impediments that impact the efficiency and dependability of Australia's maritime logistics system and connected supply chains.

This submission addresses several specific issues of relevance to the maritime supply chain. While many of the terms of reference appear directed to the operation and efficiencies of ports themselves, this is intrinsically linked to the operation of local and international shipping services that service these ports and ultimately the Australian public.

This submission addresses the issues associated with part of the supply chain, that is the ships themselves.

1 TOR 1 - Efficiency and dependability of the maritime logistics system

The scope of Australia’s maritime activity is very broad, consisting of domestic and international trade, activities servicing the offshore oil and gas industry, cruise and passenger ships, towage, port services, dredging, scientific research, government services, defence, and marine construction.

It is difficult to find another Nation that has such diversity in their maritime endeavours.

Of these sectors, it is the trading vessel sector, which is most relevant to this term of reference.

1.1 What does Australia’s trading ship sector look like?

International shipping is responsible for over 90% of Australian trade and coastal shipping accounts for approximately 17% of the domestic freight task[1].

Of key importance however is that the level of Australian participation (Australian flagged vessels) in international and coastal shipping is negligible.

In international trades, Australia has 4 LNG carriers – which will be departing that trade in 2024.

International trades: <1% of the 99% of export trade is carried on Australian ships 100% of imports are carried on foreign ships

In coastal trades, Australia has 42 vessels that hold a General Licence[2]. That’s probably a lot more than many observers of the sector realise but the detail is important when considering what capability they provide to the nation.

There are: 9 vessels that work in/across Bass Strait (6 certified to international standards); 3 dry bulk carriers; 5 expedition cruise vessels; 25 servicing Northern Australia a large number of which are landing barges.

These vessels are perfectly well suited to perform work for the communities and business they serve. They are not necessary well suited for alternative operations due to their size, configuration or limited certification.

The vast majority of domestic trade around Australia is conducted by international ships.

Coastal trades: less than 6%[3] of the coastal shipping freight task is undertaken by Australian vessels.

This submission will now address both the quantum of shippings role and the character of the vessels that undertake that task.

[1] Who Moves What Where – Freight and Passenger Transport in Australia, National Transport Commission, 2016
[2] Department of Infrastructure and Transport list of General License granted dated 18/11/2021
[3] MIAL estimate that based on BITRE Australian Sea Freight report 2015/16 which states Transitional GLs carried 11.2% and GLs 6.5%. In 2022 there are no TGLs – and none converted from TGL to GL status; and the number of GLs has fallen from 2015/16 levels).

1.2 Is coastal shipping carrying enough of the freight task?

Shipping is the most energy efficient mode of long haul transport[4]. Increasing shippings' share of Australian domestic freight movement would assist Australia reach our 2050 targets.

Where ships provide a dedicated service to a route/trade they offer a dependability and efficiency that is difficult to match.

Weather events provide much shorter disruption (usually the closure of a port for a matter of hours, a minor diversion or slowing of sailing times). This is in stark contrast to outages in land based transport due to infrastructure damage that can last weeks or months.

Shipping should be a mode of choice for trades around the Australian coast. The East-West general cargo trade is, as well all know, unbalanced to the point where business cases to operate vessels East-West-East or circumnavigation do not stack up.

However, there is currently no Government investment in shipping, unlike road and rail that are the subject of billions of dollars of Government spend every year.

In 2013/14 the public funding (from all Governments) provided to road and rail was:
- ~$25 Bn (Commonwealth, State/Territory and Local) for road; and
- ~$8.3 Bn (Commonwealth and State/Territory) for rail.[5]

Further, it is estimated that each one per cent increase in freight efficiency saves the national economy $1.5 billion.[6]

There is little doubt that with the right policy settings shipping could deliver at least a 1% efficiency gain.

The investment of a fraction of the expenditure provided to road and rail would greatly enhance the competitiveness of shipping vs land-based transport modes and increase the market share of shipping. This would provide modal-choice and transport system redundancy to secure supply chains against weather and other terrestrial disruptive events, as well as resultant economic and environmental benefits.

Specifically, public investment in the infrastructure to encourage dedicated coastal ro-ro services for containerised cargo and trucks has been identified by the Australian maritime industry as being something that would likely have immediate impact and provide confidence to investors to provide that transport option.

All of the points above speak to the increased use of shipping in general, that being a ship of any flag. This submission will now address the character of shipping and why a level of Australian content, control and registration is important.

1.3 Why does being Australian matter?

There are several reasons that having Australian control over shipping matters, such as the development of essential skills, economic benefit and diversity for the nation and national security.

[4] 'Delivering CO2 Emissions Reductions' International Chamber of Shipping.
[5] ABS (2015 c,e & h), BITRE estimates
[6] NSW FREIGHT AND PORTS STRATEGY, November 2013

However, for the purpose of this term of reference, we will address why it matters from the perspective of efficiency and dependability.

At the outset MIAL wishes to make it clear that we support the use of foreign flagged shipping in the national freight task- both internationally and domestically. The international shipping industry is market-led, over the long term delivers an undeniable positive benefit to Australia and operates responsibly and professionally.

MIAL's position however is that total reliance on foreign shipping is not in our national interest. And what we have right now is total reliance on foreign shipping.

Diversity of flag and operator must include a portion of Australian participation, for economic, skills and national security reasons. These are outlined in this submission under the next term of reference.

From an efficiency and dependability point of view though it is important to consider Australia's 'place in the world' when we consider what risks to dependency exist for Australia. Our dependence on shipping is absolute due to our geography and economic base (bulk commodity export oriented and manufactured goods import dependent).

Overlayed with our relatively small general cargo freight volumes and we have situation where Australia is dependent on shipping, but we are a long way away from major markets and a small 'customer' in the international terms.

International shipping is a truly global industry. Ships owned or managed in one country can be registered (flagged) in another and operate with a crew on board from diverse nationalities. Decisions relating to the country of registration of vessels (flag) are, understandably, often made to minimise costs and maximise profit, while working within international law and the shipping regulations of different nation states that they operate within.

For decades, the free market has been able to operate in a relatively stable environment – geopolitically, environmentally and economically. The norms we have grown used to have shifted and the future settings are less certain than they have been.

1.3.1 How does the industry react to instability?

The global COVID19 pandemic is one example. In the shipping context the pandemic saw nation states ignore their international obligations under the Maritime Labour Convention to facilitate crew change, and various IMO conventions regarding ship safety audits etc. A tension between Flag (where the ship is registered) and Port (where ships visit) States developed beyond anything we have experienced before. The shipping industry came perilously close to coming to a complete stop.

As we emerge from that situation (which is far from over from a shipping industry returning to normal point of view) it is incumbent on us to reflect on the lessons that we have learnt.

The inability of the global shipping industry to appropriately manage their obligations to their crews as the pandemic wrought havoc with international borders demonstrated clearly that the international norms no longer serve our nation's interests. Many ships have been labelled as toxic if they want to work to or from Australia - further impacting the supply of suitable vessels servicing our nation.

Port States, like Australia, without any meaningful Flag State role were unable to uphold the established and agreed standards because the power to do so lies almost entirely with Flag States. If Australia wants to exert influence on an industry, so critical to our way of life, they need to be able to exercise powers to maintain the standards Australia expects. And they need to be able to influence debate in fora such as the IMO and ILO where decisions are made. Influence comes by being actively involved in the sector – well beyond being a passive receiver of visits from ships.

The situation in the South China Sea is yet another emerging unknown. A sealane that has until now been free from restriction is now the subject of increased tension between a myriad of Nations, Australia included.

When sealanes become contested the shipping industry must react – during acute periods of tension this can range from measures such as instigating war risk insurance and crew payments, through to operating in convoys of protection, which in recent times have been provided by a coalition of naval forces most often provided by the nations most exposed from a trade route point of view.

The most extreme situation of a market failure, conflict or other massive disruption is for Governments to requisition vessels – to call them into service for the nation.

1.3.2 What happens when the market fails?

While part of Defence's role is to protect trade, the reach of our armed forces is limited. Ultimate control of commercial ships is determined by the nation in which they are registered or where the owner is domiciled. Only these nations can requisition vessels or direct them into high risk areas.

There are several key constructs in international shipping that need to be considered when determining the possibility that assets might be unavailable / withdrawn from the market.

Requisitioning of vessels is the clearest form of a nation requiring assets for use in the national interest.

During the Falkland's war (1982), the UK requisitioned 54 civilian ships from 33 owners for government use including tankers for potable water and fuels, freighters carrying food and munitions and luxury liners converted to carry troops. This was known as Ships Taken Up From Trade (STUFT).

Requisitioning is typically applicable only to the ships flying the flag of the nation, however it is possible to apply to other flags – such as this vessels on 'open registers'. MIAL canvassed this issue comprehensively in our submission to the Productivity Commission's inquiry into supply chain vulnerability in 2021 – please see our full submission here.

The conclusions from the comprehensive analysis in that submission are that:

- it is entirely possible that ships themselves might be unavailable in the market in a time of crisis and it is this potential that exposes Australia to considerable vulnerability – we simply could not bring those products to the nation because we do not have the assets on the water to do it.
- the existence of large open registers is not a reliable source of vessels to 'count on'. Such a view fails to fully understand the relationships between ownership and registration.

1.3.3 What capacity does Australia have in such a scenario?

The answer is almost none.

When we look at critical cargo types the situation clearly leaves Australia highly exposed.

Australia has no international trading container ships and domestically the capacity to carry containers is limited to the ships dedicated to the Bass Strait trade and other smaller services around the QLD northern coast.

Australia therefore has no ability to ensure that adequate container shipping capability, essential for the carriage of medical supplies, manufacturing inputs and consumer goods, is secured for the nation.

The same can be said for many other ship types – because we do not have any of them under national flag or national control.

This includes tankers, which we rely on to bring oil and fuel to Australia. The Stage 1 Productivity Commission Supply Chain Vulnerability report noted:

> *Pg 92: "By storing crude oil in the United States, Australia meets some of its international treaty obligations, but its role in supporting Australia's physical or strategic oil reserve is less clear. In addition to possible geopolitical risks, time delays in shipping and refining the oil once in Australia are also a risk."*

MIAL identified then, and reiterates now, that there is not only the risk of a delay, there is the risk of not being able to obtain a ship to carry the oil, or to sail through a war zone.

It also includes chemical tankers that carry products we need for air and water purification and manufacturing inputs and dry bulk carriers suitable to carry phosphate and fertiliser are essential for the agriculture sector.

1.3.4 Is having more ships dedicated to Australia a good idea?

Quite aside from a global crisis situation, the recent flood event in South Australia has reminded Australia of the value of a committed shipping activity around the nation.

In January of this year, critical rail links between the east and west coast of the country were damaged by flood. In response the federal government exempted vessels from the requirements under the *Coastal Trading (Revitalising Australian Shipping) Act 2012.* This is a sensible move to relieve administrative burdens on vessels who may have the capacity to undertake this freight task. It does however assume that vessels servicing the country have capacity to fulfill this task..

The east/west and south/north trades in Australia should be obvious routes for shipping operations. However, in the general cargo (container) trade the volumes are so unbalanced that the business case has not yet shown a viable shipping route (either east/west return or on a circumnavigation basis). For that reason, passing foreign ships undertake the carriage of any coastal cargo by sea. Of course, road and rail undertake a significant portion of this task.

Many foreign ships choose not to carry coastal cargo for several reasons – either they are at capacity already or they do not wish to engage with the complexity of the coastal trading legislation. Either way, the capacity is limited and at times subject to change at short notice.

The lack of Australian controlled assets engaged in that trade – be it as part of a larger international loop, or on a dedicated basis to facilitate trade across the nation is something that ought to be reviewed. The cost of supporting a maritime route would be a fraction of the support required by road and rail and would provide diversity in transport mode and the necessary redundancy in supply chain linkages.

While there are several Australian ro-ro vessels that could be directed to assist in this task, these vessels require appropriate wharf access / ramps. In short, they are not 'container ships' and cannot slot seamlessly into the existing port infrastructure servicing container ships. Furthermore, they are dedicated to servicing their own trades and the Tasmanian community. To redeploy them would mean creating another problem somewhere else.

2 TOR 2 - Broader economic impact of the maritime logistics sector

(inlc assess the sectors' operating model and any structural impediments)

All nations that have large fleets controlled under their flag/registration recognise the benefits associated with having a strong shipping industry, such as the creation of skills; revenue generation from the ensuing economic clusters that develop in support of large fleets[7]; control of critical strategic assets; supply chain security and economic diversity.

To secure such an industry these nations offer a wide range of incentives, direct subsidisation, apply protectionist measures, or in some cases a combination of all three. [8]

Australia has several measures in place to support Australian businesses in the same way as overseas shipping businesses are supported by their Governments.

In fact, Australia has all the necessary building blocks in place already. The issue is that several key measures related to international competitiveness require amendment to be genuinely international competitive.

With the policy measures amended as we recommend, Australia would see growth in the number of Australian ships that would not only offer supply chain security but also economic benefit to the nation.

A report prepared by PwC[9] shows that in Australia in 2012-13 the total (including the direct and induced impacts) contribution of the shipping industry was $21 billion in GDP; 45,000 jobs and $1.3 billion in tax revenue.

The report went on to identify, that with positive shipping policies those figures rise to $25 billion in GDP; 54,000 jobs; and $2.1 billion in tax revenue.

The impact of the economic cluster that develops around a robust shipping industry cannot be underestimated. Economic diversity is provided not only via direct shipping activities but also through the vast array of technical disciplines and service industries that provide necessary ancillary support.

2.1 Non-economic benefits

Beyond purely economic impacts there are social and security reasons for supporting an indigenous shipping capability.

As has been the case on numerous occasions prior to the pandemic - during bushfires, floods, cyclones and bridge collapses - maritime assistance and support is crucial to the ongoing safety and wellbeing of affected communities and the Australian population as a whole.

Never was this more evident than during the bushfires over the 2019/20 summer when vessels supported communities in Victoria, NSW and South Australia. At the height of the fires vessels provided emergency shelter and evacuation platforms, fuel for fire trucks, hospitals to treat town residents, food

[7] 1 Oxford Economics, "The economic impact of the UK Maritime Services Sector: Shipping", May 2015

[8] 20 PwC (2015) Transportation & Logistics International Tax: Choosing your course Corporate taxation of the shipping industry around the globe, p. 7: https://www.pwc.com/kr/ko/publications/industry/pwc-choosing-your-course.pdf

[9] PwC, "The economic contribution of the Australian maritime industry", February 2015

and water and more. They then assisted with the rebuilding effort that was required afterwards including the provision of gangway/jetty infrastructure to allow aid to be delivered.

As we discovered, maritime support during bushfires is even more important due to the restricted aviation capability due to persistent smoke.

Importantly, commercial maritime assets were on site and offering assistance well before any naval resources were able to reach the affected communities.

The challenges presented by the COVID-19 crisis in having reliable access to shipping services has again highlighted the benefit of national capability, and importantly, the urgent need to build that capability, particularly considering the immense issues relating to cross-border movements of maritime crew.

3 TOR 3 - Workforce Issues

Significant parts of the Australian economy rely on the maritime industry and specifically on the maritime skills necessary for the smooth functioning of our nations ports.

Both international and domestic seafarers provide essential skills that keep the Australian economy afloat and ensure essential supply chains continue to operate.

Australia requires highly qualified mariners to operate the ships crewed with Australians, and to provide critical shore-based services such as marine pilots, harbor masters, ship surveyors and equipment specialists. These shore-based roles invariably following a career at sea gaining the necessary qualifications and experience.

3.1 Skills Shortage

The MIAL Seafaring Skills Census conducted in 2018 (Census) [10] identified that the Australian maritime sector has a projected shortfall of over 560 individuals by 2023. This is across the field of qualified seafarer roles both ashore and at sea.

The age profile of all seafarers shows the workforce is ageing. The Census[11] shows that 52% are over 46 years old and 1% are over 70. This aging trend is notably worse for Deck and Marine Engineer Officers than it is for ratings.

The Census[12] identified that 80% of employers require experience and skills beyond the base level qualifications.

The Census found that tanker experience was the most sought after, particularly for shore-based roles.

Given the responses to the Census about the need for specialised skills and experience, a diversity of assets upon which to work is critical.

New opportunities for work and training of Australian seafarers must be secured if we wish to maintain a local skilled seafarer capability.

[10] 2018 Seafaring Skills Census, Maritime Industry Australia Ltd 2019
[11] ibid
[12] ibid

MIALs submission to the ***2019 Rural and Regional Affairs and Transport References Committee inquiry into the policy, regulatory, taxation, administrative and funding priorities for Australia shipping*** provides a comprehensive assessment of the critical issues affecting maritime skills and the measures that need to be taken to overcome these.

In summary, time spent at sea is critical for the experience required for many strategically important roles with our maritime supply chain. Training people to entry level without providing work opportunities beyond that is not a solution. Providing work opportunities overseas is an important part of the solution but requires changes to the personal income tax settings for seafarers. Building an Australian industry is a vital step to providing assets on which Australians can work and train to be qualified to fill roles both at sea and ashore within the maritime logistics system.

Building an Australian industry can be achieved via: creation of a Strategic Fleet; utilisation of the Australian International Shipping Register and expansion of coastal trading opportunities. Each of these require legislative change to make them competitive – the details of which are contained in the aforementioned submission.

3.2 Maritime Training

Having access to maritime skills is critical to ensure the efficient functioning of the maritime logistics systems. It is not merely a question of having skilled mariners to operate ships; these people usually have a limited career at sea before transitioning to a shore based role. The jobs they transition to, as mentioned previously, include as harbour masters, safety regulators, marine pilots, in the towage sector, and marine superintendents. Almost all of these roles require at least some seafaring experiences.

Training seafarers to the internationally recognised standard is costly and time consuming. For the critical deck officer and engineering skills set, at takes about three years (and for fully sponsored cadets, somewhere in the region of $250,000) to train a person to the most entry level position on board. Once trained, these people need to work at sea to gain the necessary skills and experience to progress through the ranks to senior position on board.

Getting young Australian's interested in a career at sea has not traditionally been the problem. The difficulty is the progression once they gain their initial qualifications. Having a job to go to an opportunities to progress through the ranks are limited, due to the lack of Australian ships and the significant barriers Australian's face to being attractive to foreign ships as a labour option. This is discussed more in the section about seafarers income tax.

Occupation	*Brief Description*	*Qualification*	*Seatime for Entry Level qual*	*Total Training time for certification*
Master and Deck Officers	Primarily responsible for the safe navigation of a vessel as well as conducting cargo operations (where applicable)	Advanced Diploma or Degree level	18 months	**3 years**

Marine Engineer Officer	Primarily responsible for the design, maintenance, repair and testing of machinery and equipment	Diploma – Advanced Diploma level	9 months	**Minimum 3 years**
Integrated Ratings (IRs)	IRs may engage in a number of activities including, Assisting with cargo operations Assist in engine and navigational watches Mooring and anchoring operations General servicing and maintenance	Certificate 3 Level	9 months	**12 months**
Cooks and Caterers	**Marine Cook**	**Certificate 3 Level**	**Nil**	**Cert of safety training 2 weeks.**

The cost of a fully sponsored cadetship for a deck officer and engineering officer to sail in an entry level position is in the region of $200,000 to $300,000 dollars. This includes, wages, college fees, accommodations and food allowances and incidentals.

There is limited if any government funding in place to help defray these costs. VET and higher education funding, where it is available is limited to the academic course costs, rather then costs associated with practical experience on board as well as wages and accommodation. MIAL has consistently been advised that the qualification itself (as distinct from the certificate of competency issued by AMSA, effectively the licence to work on board) does not include the "sea time element". This means the government contribution to these critical skills is not even a fraction of the real costs to employers in training.

3.3 Industrial Relations

MIAL understands that issues surrounding industrial relations can often be fraught. In the Australian context, maritime has traditionally been and remains a highly unionised industry. From the shipping side, most trading vessels are covered by enterprise agreements negotiated with one (or all) of the three unions which represent seafarers; the Australian Maritime Officers Union representing Deck Officers, including ships masters, the Australian Institute of Marine and Power Engineers, representing marine engineers and the Maritime Union of Australia division of the Construction Forestry, Maritime, Mining and Energy Union, represented integrated ratings, cooks, caterers and stewards.

While MIAL does not intend to delve into the detail of the shortcomings of the workplace relations system in this submission, the broad range of matters that may be the subject of bargaining, which have very little if any relevance to the terms and conditions of employment at a particular workplace, continue to result in protracted negotiations from vessel operators and employers.
That so many matters may be the subject of dispute creates a significant strain on internal resources. There is also a lot of pressure from clients to ensure that in term enterprise agreements are in place to avoid any potential risk of protected industrial action given the significant impacts that this has on the supply chain and business costs and reputation.

Protected industrial action against vessel operators is reasonably rare but does happen with significant impacts on the supply chain. Some very significant instances of threated and actual industrial action include:

- Threatened industrial action on tug boats in Port Headland which would effect the export of iron ore in 2014.[13]
- Industrial action on tug boats across the Svitzer fleet, Australia's largest supplier of harbour towage services in 2021.[14]
- Threatened action in Gladstone in 2012 (which reportedly saw the then Workplace Relations Minister intervene)[15]. Industrial action at Gladstone also took place in 2021 on the tug boats.

The above are just some examples of threated or actual industrial action. Harbour towage is used as an example, given it has the capacity to significantly effect international and domestic shipping in and out of major Ports, with the consequential flow on effects both landside in Australia and from the shipping perspective, causing significant disruption.

Equally industrial action at Australia's ports does impact on shipping scheduling and can result in vessels cancelling port calls or being significantly delayed, adding costs to shipping and impacting the delivery of goods into and out of the country.

4 TOR 4 - Infrastructure needs and constraints

(incl costs and benefits of investing in new port and shipping infrastructure)

Encouraging greater use of shipping as a transport mode, regardless of the Australian component involved in the ship, requires port access and port pricing to be competitive.

A recent report[16] highlights a worrying development in the unprecedented rise of fees and charges at some of Australia's major ports.

"Shadow Minister for Ports and Freight, Roma Britnell, says users of the Port of Melbourne are alarmed that the Ports Minister, Melissa Horne, failed to explain in Question Time today why access fees charged by the major stevedoring companies have increased from $3.60 to $80.00 per container over the past 2 years. "Following the lease of the Port of Melbourne in March 2016, the Andrews Labor Government promised that "the scope of regulated charges will be expanded to cover all trade charges for cargo and shipping movements. However, major stevedoring companies that operate at the Port of Melbourne have since increased their infrastructure access fee by over 2 000 per cent in just two years."

[13] https://www.abc.net.au/news/2014-08-06/tug-boat-workers-threaten-port-hedland-iron-ore-exports/5651914; https://www.afr.com/politics/port-hedland-strike-threat-returns-20140531-ivd13

[14] V https://www.thedcn.com.au/news/ports/svitzer-hit-with-more-protected-industrial-action/

[15] https://www.theaustralian.com.au/national-affairs/industrial-relations/port-strikes-averted/news-story/12392d83d85f015b5100defcc30fe3ea

[16] Media Release; Roma Britnell MP, Shadow Minister for Ports, Wednesday 20 February 2019, Labor fails to explain massive port cost increases

Further, in 2018 NSW Ports released their new port pricing schedule[17] which gave effect to a decision to drop a separate pricing structure for coastal containers. The resulting uplift for Port Botany is significant, being nearly 100% for export (up from $43 to $81.94) and 200% for import (up from $43 to $123.10).

We note that the NSW Ports is a supporter of coastal shipping and is keen to grow the coastal shipping trade, however actions like this send a powerful and negative signal to the market regarding coastal container movements.

Ports and shipping companies need to work in concert to create an environment for investment. Creating a situation whereby shipping companies have to approach a port for a favourable fee structure for coastal movements is not conducive to active growth.

4.1.1 New opportunities

Public investment in the infrastructure to encourage dedicated coastal ro-ro services for containerised cargo and trucks was identified in the Maritime Green Paper[18] as being something that would likely have immediate impact and provide confidence to investors to provide that transport option.

Suggestions for improving the ship/port interface for Australian ships are:

- Provide discounts / exemptions to Australian ships for port and regulatory fees.
- Invest in dedicated coastal ship terminals as critical infrastructure.
- Ensure port planning processes provide priority access to ports and berths for Australian ships and shoreside facilities for their cargo and other needs.

5 TOR 5 - Mechanisms to help improve the sector's resilience and efficiency

The benefits that nations accrue by virtue of having a strong shipping industry include:

- the creation of skills and knowhow;
- control of strategic assets and ability to call upon them for national support;
- a degree of supply chain security; and
- economic diversity and returns to the nation generated from the sector

Australia must build redundancy, integrity and assurance in the reliability of Australia's maritime supply chain. To achieve that goal, and build our sovereign industrial capability, we must create the policy conditions, as other maritime nations have, for a vibrant and sustainable Australian maritime industry. There is a very strong rationale for Government to enact positive policies that would encourage maritime businesses to have significant Australian presence and to ensure the diverse range of assets required are available – particularly during times of crisis.

An island nation cannot afford to continue to overlook and undermine an industry that provides so much support and capability in times of need. It is time to recognise the breadth of the capability that we have and the willingness of these businesses to assist. Australia's strategic maritime capability must be considered across a diverse range of assets and expertise, to ensure Australia's broader interests are also protected.

[17] https://www.nswports.com.au/resources/port-charges/)

[18] Maritime Green Paper - A Maritime Transition, 2016

Australia already has a considerable strategic fleet - vessels that the Government sees fit to own/operate/charter such as the Defence and Border Protection fleets, the Antarctic Division Ice Breaker, CSIRO research vessel and AMSA emergency response vessels.

The Australian maritime industry is a dynamic and diverse sector that includes businesses already heavily invested in providing support services to Australian government fleets and has a proud history of working together and supporting our nation's needs.

First and foremost, MIALs position is that Australia needs to create a level playing field with other nations to allow competitive ship ownership and operation to happen from Australia. With the right fiscal and regulatory structures in place, growth in the commercial Australian ship ownership sector will happy organically and naturally. This will be particularly evident on the Australian International Shipping Register where a mixed crewing option overcomes the residual issues associated with full Australian crew costs.

With the right policy settings in place the Australian Strategic Fleet would therefore naturally include AISR ships. These policy settings include corporate tax and seafarer income tax changes along with other more minor legislative changes which are outlined in detail in previous submissions. The corporate and seafarer income tax changes are articulated in Appendix A of this submission.

MIAL further proposes that once the right policy settings are in place, to expedite commercial sector activity to provide a base level of capability in key supply chains and the employment and training platforms needed to meet Australia's strategic maritime skills requirement, that a dedicated number of vessels is further supported by the Government.

5.1 Government supported Strategic Fleet

Internationally there are examples of broader concepts of Strategic Fleets - regimes adopted by the United Kingdom via the Royal Fleet Auxiliary and United States of America via the Military Sealift Command. And of course, both these nations also have significant nationally flagged fleets that could be requisitioned if required.

However, the circumstances of Australia are potentially quite different and the utilisation of merchant marine capability by other nations defence forces across a much broader area of operation is instructive. This could mean that an appropriate strategic fleet for Australia is not as heavily influenced by the military and defence needs of the nation but may be more aligned with supply chain security and trade facilitation and seafarer officer, training given our reliance on sea transport and the potential vulnerabilities laid bare by the COVID-19 global pandemic as outlined above.

In determining the vessels and trades that should make up an Australian Strategic Fleet supported by the Government, an appropriate test to apply could be to identify where there is sufficient cargo to warrant a stable and permanent presence.

If the objective of the Strategic Fleet is to have vessels of certain types available to secure Australian supply chains and/or be available for requisition, then these vessels need to be identified and incentives put in place to secure them.

The industry has suggested that this could be at least partially funded by redirection of current costs imposed on the industry that result in no benefit to Australia.[19]

[19] Coastal Trading Green paper, A Maritime Transition, 2016

Equally, there is a strong rationale for Government support.

By way of example, a Strategic Fleet made up of 20 vessels would result in 1800 permanent jobs , provide training for ~100 seafarers each year and deliver $173m in tax revenue. The support required to deliver this is $140m annually, which equates to approximately 1.6% of the rail funding or 0.56% of the road funding allocation in 2013/14.[20]

The implementation of such a retainer to secure the ability to call on merchant marine assets if required, represents a significant return on investment with the added benefit of securing not just the physical assets but the ongoing secure, reliable source of trained maritime professionals with the essential skills to run our nations ports, pilot our visiting ships in to berth and ensure safety and environmental standards are upheld.

Until Australia has a regime that supports a level of local content in our shipping task, we will not see certainty and stability in the sector and industry will continue to be wary of investment. With the complete demise of the industry, Australia further relinquishes control over critical supply chain links along with the associated essential strategic maritime skills.

With appropriate forms of support in place, the commercial interests that would be expected to use the Strategic Fleet ships would be in the same position commercially as they are now - but the nation will have secured assets that fill certain national interest requirements.

5.2 *The Australian Strategic Fleet*

Government vessels (these represent the existing 'strategic fleet' already as the Government has seen fit to own/operate them):
- Australian Antarctic Division
- CSIRO
- Australian Maritime Safety Authority
- Australian Border Force

Defence vessels, including those in support roles:
- Refuelling vessels
- Submarine Support
- Training
- Towage
- Other support vessels

Commercial – ships operating in the open market, and available for national service if required:
- Tankers – liquid and gas (national fuel security; chemicals for use such as water treatment)
- Passenger ships (personnel transport/hospital)
- Ro/ro and landing barges (LHD supplement; essential national supply chains – Tasmania and Northern Australia and National crisis and emergency response)
- Break bulk (military support)
- Container (essential national supply chain – pharmaceuticals, and foreign aid)
- Dry bulk (phosphate for fertiliser)

[20] ABS (2015 c,e & h), BITRE estimates

- Offshore vessels (offshore towing capability and servicing offshore industry/secure economic resources)
- Bunker barges (in port support craft)
- Tugs (in port support craft)

Further, as Australia transitions into areas of new economic activity other opportunities will present themselves. For example, the hydrogen export market will demand that the hydrogen cargo is carried to market on ships powered by clean energy. Such investment in the ships themselves, and Australia's interest in the end-to-end supply for the product, will present new opportunities for Australia to secure the logistics chain, gain economic benefit and create new Australian jobs.

This and other future opportunities should be firmly on the Australian radar for future investment.

6 Appendix A – Fiscal measures

6.1 *Corporate income tax*

Shipping is a highly mobile business and, given the national benefits that accrue from having a robust shipping industry, jurisdictions that offer favourable corporate taxation treatment for shipping are many.

Below is a list of jurisdictions and the nature of the advantageous tax treatment on offer for shipping businesses.[21]

Tonnage Tax regimes are common across the globe operated by companies paying tax based on the tonnage of the ships. These are set at very low rates and are generally regarded as being highly advantageous for the companies who are able to utilise them as the level of tax is known and minimal.

Flag	Country	Tax regime
	Antigua and Barbuda	Favourable tax regime
	Barbados	Favourable tax regime
	Belgium	Tonnage tax – Dutch model
	Bermuda	Favourable tax regime
	Brazil	Shipping incentives
	British Virgin Islands	Favourable tax regime
	Bulgaria	Tonnage tax – Dutch model
	Canada	Non-resident tax payer regime
	Canary Islands	Shipping incentives
	Cayman Islands	Favourable tax regime
	China	Shipping incentives
	Curaçao & St. Martin	Tonnage tax – Dutch model; Shipping incentives
	Cyprus	Tonnage tax – Greek model
	Denmark	Tonnage tax – Dutch model
	Estonia	Favourable tax regime
	Finland	Tonnage tax – Dutch model
	France	Tonnage tax – Dutch model; Shipping incentives
	Germany	Tonnage tax – Dutch model
	Greece	Tonnage tax – Greek model
	Hong Kong	Shipping incentives
	India	Tonnage tax – Dutch model
	Ireland	Tonnage tax – Dutch model
	Isle of Man	Favourable tax regime
	Italy	Tonnage tax – Dutch model; Shipping incentives
	Japan	Tonnage tax – Dutch model
	Liberia	Non-resident tax payer regime

[21] *PwC (2015) Transportation & Logistics International Tax: Choosing your course Corporate taxation of the shipping industry around the globe, p. 7:* https://www.pwc.nl/nl/assets/documents/pwc-choosing-your-course.pdf

	Malaysia	Shipping incentives
	Malta	Tonnage tax – Greek model
	Marshall Islands	Favourable tax regime; Non-resident tax payer regime
	Netherlands	Tonnage tax – Dutch model; Shipping incentives
	Norway	Tonnage tax – Dutch model
	Panama	Shipping incentives
	Philippines	Shipping incentives
	Poland	Tonnage tax – Dutch model
	Republic of Korea (South Korea)	Tonnage tax – Dutch model
	Russia	Shipping incentives
	Saint Lucia	Favourable tax regime
	Singapore	Shipping incentives
	South Africa	Tonnage tax – Dutch model; Favourable tax regime
	Spain	Tonnage tax – Dutch model
	Sweden	Shipping incentives; Tonnage tax – Dutch model under review for possible implementation
	Taiwan	Tonnage tax – Dutch model
	Turkey	Shipping incentives
	UK	Tonnage tax – Dutch model
	USA	Tonnage tax – Dutch model

In 2012 corporate taxation treatment was established whereby Australian shipping companies could pay zero tax on profit earned from the operations of their Australian flagged ships (this includes the direct shipping activity and a variety of other ancillary activities that provide a nominal profit also).[22]

However, the operation of this tax regime provides that when the profits from those companies are distributed the shareholders must pay tax on the dividends received. In effect, the tax is deferred.

These current arrangements do facilitate the reinvestment of profits by the company – which is advantageous when companies are growing or renewing their fleets. Demonstration of this policy success is that the commercial operators in Bass Strait have both recently renewed their shipping fleets.

However, when compared to other nations, the current income tax arrangements do not make Australia a competitive regime to own ships from. A comprehensive list of extracts from a range of other nations tax treatment for shipping businesses is provided in MIAL's submission to the 2019 Senate Rural and Regional Affairs and Transport References Committee Inquiry into the policy, regulatory, taxation, administration and funding priorities for Australian Shipping.

The lack of attractiveness of the Australian corporate tax treatment vs international comparisons explains why only those ships that are already here utilise this measure rather

[22] *Shipping Reform (Tax Incentives) Act 2012* (Cth)

than this measure being successful in attracting more ships to be owned/controlled from Australia.

An internationally competitive taxation structure that attracts greater involvement of Australian businesses domestically and internationally would guarantee Australia economic advantage as well as strategic control of valuable trade routes and cruise and resource sector activities.

In their report "Corporate taxation in the global offshore shipping industry" pwc point out the importance of broad application of tax structures across the maritime domain and the competitive nature of attracting shipping business: "In countries that use tonnage tax regimes or shipping incentives tax regimes, these don't necessarily apply to every type of vessel. Our analysis suggests that various countries' approaches can have a significant impact on both individual businesses and the countries' competitive position."[23]

Australia must be competitive

The zero rate of income tax on profits derived from shipping activities falls short of being competitive with other nations in the region due to the tax treatment on the distribution of profits.

This makes Australia uncompetitive as a place to base shipowning and operating businesses from and is readily addressed via changes to the treatment of dividends.

Australia should make the most of its natural advantages

To maximise the economic cluster that develops around shipping activity, the broad maritime/shipping activity including the offshore resources sector and the vast number of vessels it involves, ought to be encouraged to participate to build business investment and activity in Australia.

Such a change would have no effect on tax receipts for the nation, as the current very limited number of recipients are reinvesting the profits rather than paying a dividend.

The additional economic activity that results from businesses choosing to own and operate ship from this country, would be *new* activity. As such, there is no 'revenue foregone' considerations for Treasury.

The economic contribution of the sector following introduction of such a policy has been estimated at $25Bn in GDP; 45,000 jobs and $1.3Bn in taxation revenue[24].

MIAL Recommends that the following be adopted:

1. Introduce deemed franking credits in respect of dividends to resident shareholders, to make vessel ownership and/or operation from Australia more internationally competitive.

[23] Corporate taxation in the global offshore shipping industry. Pwc.
[24] PwC, "The economic contribution of the Australian maritime industry", February 2015

2. Introduce dividend withholding tax exemption in respect of dividends to non-resident shareholders, to make vessel ownership and/or operation from Australia more internationally competitive.
3. Extend application of taxation structure to broader shipping industry including the offshore sector.

6.2 International Seafarer Income Tax Regimes

The benefit to the nation of having a large pool of qualified seafarers is that it helps to secure the strategically valuable shore-based skills that the national relies upon in maritime services.

The Seafarer Skills Census identifies a definite shortfall, some 560 by 2023 in fact, in the number of people the industry projects it will need, and the number intended to be trained. Training to the entry level is only one part of the problem the nation faces in terms of seafarer availability – a greater issue is the opportunity for seafarers to work at sea.

The existing seafarer tax offset, provides a tax refund to the employer for 30% for eligible individuals, being the assumed PAYG tax withheld from the employee and remitted to the Tax Office.

The existing income tax treatment of individual seafarers has several shortcomings in terms of international competitiveness; and success at encouraging sufficient qualified seafarers to fill the needs of the nation.

These shortcoming are:
1) It is too narrow in its application – being only applicable to:
  a. seafarers working on trading ships; and
  b. those trading ships must be Australian flagged; and
  c. international service of at least 91 days.
2) It is too restrictive in design. Regimes applicable internationally provide for the individual to manage their own tax affairs – that is not how the Australian seafarer tax offset works.

The existing seafarer tax offset assumes an employment relationship between an Australian resident tax payer and an Australian company. This limits the opportunity for Australian seafarers to work for international companies and remain resident tax payers; which in turn limits the number of Australian's working as seafarers who would be available to provide the strategic skills that the nation needs.

The purpose of this proposal is to complement the existing arrangement and to enable Australian seafarers to accept employment from a foreign company in international shipping at competitive rates without that resulting in significantly lower take home pay than their international counterparts (most of whom are not subject to income tax in their home countries).

It is proposed that a regime be introduced that allows individuals to be tax free if they spend a certain amount of time working overseas and allows them to manage their own tax affairs.

At present, there are few Australian Deck or Marine Engineer officers employed in internationally and almost none who are resident tax payers. This is because international seafarer wage rates are lower than Australian wages as in most circumstances seafarers engaged in international shipping are tax exempt from their countries of residence income tax regime. The next section provides a summary list of international examples.

At present, Australian seafarers who wish to retain residency will be subject to income tax on their wages. As a foreign entity employer will not withhold tax on behalf of the Australian Tax Office (ATO), an Australian seafarer resident must lodge an income tax return for their earnings for the relevant financial year, and assuming they are tax residents, will be issued with a tax bill by the ATO after an assessment of taxable income has taken place.

Under this proposal Australian seafarers employed by foreign companies would not face this tax liability. This will mean Australian resident seafarers will be in a financial position to accept lower gross salaries, as they will not be subject to tax, thus making them competitive with their international colleagues.

Further, this measure will help address a significant shortfall in work opportunities currently available on Australian vessels for Australian seafarers to fulfil their sea time requirements for initial training and ongoing experience and career progression by encouraging individuals to accept appointments on foreign vessels at foreign wage rates.

The rationale for extending the tax exemption to seafarers working in Australia as well as overseas is simply to avoid a perverse outcome. If we simply mirror the tax policies in place in other nations (that have seafarers tax exempt when working overseas), we will end up in a situation where international seafarers perform all work in Australia and Australian seafarers will only be affordable to employers if they work overseas.

Facing that very real scenario, future polices to address the strategic skills shortage should ensure we don't end up with such a nonsensical solution.

Amendments to the Seafarers Tax Offset should be made that:

1. Provide for the Seafarer Tax Offset to be available to Australian crew even if not working internationally in order that the operating cost of the ship can be reduced (i.e. cost saving vests with employer) thereby increasing the competitiveness of a ship employing Australian workers.
2. Provide complementary seafarer income tax structure for those not employed by Australian companies or on Australian flagged ships (to ensure that Australian's are treated on an equivalent basis as their international counterparts).
3. Extend application of taxation structure to include individuals working on a broader range of vessels within the shipping industry, including the offshore sector.

6.2.1 Summary of international seafarer tax regimes

6.2.1.1 United Kingdom Tax facilities for seafarers

Information taken directly from: EY Shipping Industry Almanac 2016:
https://www.scribd.com/document/413107023/shipping-industry-almanac

Seafarers' earnings deduction
Seafarers are still entitled to a special tax relief that can reduce or eliminate the UK tax payable on their employment income, even if they remain tax resident in the UK. A foreign earnings deduction exists for seafarers who are able to meet the following conditions:

- The seafarer is resident for tax purposes in the EEA or an EU state and is subject to UK income tax in respect of what is known as general earnings.
- The duties of the employment are performed wholly or partly outside the UK. For this to be the case, the employee must carry out duties on at least one journey that begins or ends at a non-UK port.
- Some part of those duties must be performed in the course of an eligible period falling wholly or partly in the tax year.

Non-UK resident seafarers who are resident in the EEA or EU are taxable in the UK on earnings for seafaring duties performed in UK waters, and the seafarers' earnings deduction may be claimed against these earnings only.

The deduction is available where, for any part of a tax year, a seafarer works wholly or partly outside the UK as part of a qualifying period of working outside the UK that lasts for at least 365 days. Special rules, which allow for return trips to the UK, apply for determining a qualifying period.

The seafarer's general earnings relating to the period of working outside the UK are excluded from income tax. The allowable deduction is equal to the amount of the earnings attributable to the eligible period. Certain types of employment income, such as share awards and termination payments, are not normally eligible for the deduction.

Please note that, prior to applying the foreign earnings deduction to the relevant income, the following deductions should first be taken into consideration:

- Pension contributions
- Allowable expenses
- Capital allowances

Moore Stephens Consulting Limited: Taxation: Seafarers Earning Deduction: https://www.mscb.im/wp-content/uploads/2017/08/Seafarers-Earnings.pdf

A 'qualifying period' must cover a period of 365 days made up mainly of days when you are absent from the UK. Incidentally you are considered absent from the UK on any particular day if you are outside the UK at midnight at the end of that day and non-work days spent outside the UK may be counted as days of absence.

A return visit to the UK can also count towards the 'qualifying period' if:

- no single return visit lasts for more than 183 consecutive days, and
- the number of days you were in the UK is less than half of the number of days you were abroad in the 365-day window.

Intervening days in the UK may only be counted if they occur between periods of absence. For example, you cannot claim for a period of 365 days which consists of 183 days abroad followed by 182 days in the UK, as this is not "sandwiched" by trips abroad.

Claims determined solely with reference to dates of entering and leaving the UK - a second employment does not affect the claim in any way.

6.2.1.2 Canada

Information taken directly from: EY Shipping Industry Almanac 2016: https://www.scribd.com/document/413107023/shipping-industry-almanac

Tax facilities for seafarers

Seafarers who are residents of Canada are subject to tax in Canada on their worldwide income. The fair value of rations and quarters may be excluded from the seafarers' income for the period when the vessel is at sea for a period of not less than 36 hours. Whether time on board a ship in port would be included in the term "at sea" depends on the circumstances.

Individuals who are residents of the province of Quebec; work as seafarers; are engaged in the international transportation of goods; hold an eligibility certificate issued by the Minister of Transport; and carry on duties on a ship operated by a resident of Canada (or a foreign subsidiary of such person) may deduct, for Quebec provincial income tax purposes, an amount equal to 75% of the remuneration received from this ship-owner for the period the seafarer works on such ship.

6.2.1.3 Singapore - Taxation of seafarers

Information taken directly from: EY Shipping Industry Almanac 2016:
https://www.scribd.com/document/413107023/shipping-industry-almanac

The employment income of crew working on Singapore-registered ships is specifically exempt from tax where the employment is substantially outside Singapore.

For a seafarer who is employed on board a foreign ship, if the ship operates exclusively in foreign ports, the crew member's remuneration will not be subject to Singapore income tax. However, if the foreign ship is plying between Singapore and foreign ports, in practice, the Inland Revenue Authority of Singapore (IRAS) will take into account the residency of the company that employs the seafarer in determining the taxability of the seafarer's employment income. If the company is incorporated or resident in Singapore, the employment income may be deemed to be Singapore-sourced income, and the seafarer may be liable to Singapore tax on his or her full remuneration. Correspondingly, if the company is incorporated or resident outside of Singapore, the employment income relating to days spent in Singapore waters may be subject to tax in Singapore, subject to the 60-day de minimis rule and any applicable treaty relief. There are no clear guidelines on the taxation of seafarers working on foreign ships, and the IRAS may not necessarily agree with the above views.

Most of the double taxation agreements that Singapore has concluded also provide for special treatment of crew members who are nationals of the other treaty countries.

6.2.1.4 Norway - Taxation of seafarers

Information taken directly from: The Norwegian Tax Administration:

- *https://www.skatteetaten.no/en/person/foreign/are-you-intending-to-work-in-norway/continental-shelf-workers-seafarers-artists-and-sportspersons/seafarers-resident-abroad/*
- *https://www.skatteetaten.no/en/rates/seafarers-allowance/*

Seafarers resident abroad

Seafarers who are resident abroad but work on Norwegian ships will generally be liable to pay tax in Norway. Their tax liability may be limited by a tax treaty. This article does not apply to those who work in the petroleum sector on the Norwegian continental shelf.

Seafarers' allowance

The special deduction for seafarers is 30 percent of the income earned onboard a ship in service. The deduction has an upper limit. The deduction will be reported to the Tax Administration by the employer if the requirement for a minimum of 130 days at sea during the income year is met. Nevertheless, the deduction must still be claimed in the tax return. Seafarers on foreign ships must also enter the deduction and be able to present documentation for the number of days when asked to do so by the tax office. You must enter the deduction under item 3.2.13 of the tax return.

6.2.1.5 Denmark- Taxation of seafarers

Information taken directly from: Danish Maritime Authority: Information about EU/EEA shipping companies' possibilities of having ships registered in the Danish International Ship Register: https://docplayer.net/21304244-Information-about-eu-eea-shipping-companies-possibilities-of-having-ships-registered-in-the-danish-international-ship-register.html

Taxation of seafarers on Danish ships – DIS net wages

The persons covered and their tax rate

Persons domiciled in Denmark are fully liable to pay tax. Persons domiciled abroad working on board Danish ships are normally subject to limited tax liability in Denmark of income earned from work on board. The tax rate of seafarers subject to limited tax liability is 30 per cent.

The definition of a Danish ship under the Taxation of Seafarers Act

"A ship which is registered with home port in Denmark with a gross tonnage of 20 t or more and which is used solely for commercial transportation of passengers or freight, for towage and as a salvage ship or as a cable-laying ship.

A ship, which is registered with registered office on the Faeroe Islands, in Greenland or abroad with a gross tonnage of 20 t or more, and without crew is taken over to chartering by a Danish shipping company, shall be considered as a Danish ship.

A ship which is registered with registered office in Denmark, and without crew is taken over for chartering by a Faroese, Greenland or a foreign shipping company, shall not be considered as Danish."

Taxation in case of work on board a Danish ship registered in DIS

If a person who is fully liable to pay tax has acquired wages through work on board a Danish ship registered in DIS and used for purposes that could be covered by the Tonnage Taxation Act, the total income tax is to be reduced by the amount that is proportionally associated with this income.

Persons who are subject to limited tax liability do not pay tax on wages earned through work on board a Danish ship registered in DIS and used for purposes that could be covered by the Tonnage Taxation Act.

Thus, several requirements must be met in order to pay DIS wages without retaining tax:

- The ship must be defined as a Danish ship exclusively used for commercial purposes.
- The ship must be registered in DIS.
- The ship must be used for purposes that can be covered by the Tonnage Taxation Act.

Since DIS wages are net wages, the seafarer has no possibility of income tax allowances.

7 Appendix B – Terms of Reference

TOR 1: Examine the long-term trends, structural changes, and impediments that impact the efficiency and dependability of the maritime logistics system, including developing a framework of performance measures to determine port performance and benchmarking Australian ports internationally.

TOR 2: Determine the broader economic impact of the maritime logistics sector, and assess the sectors’ operating model and any structural impediments, on consumers, business, and industry. This should include examining costs of curfews imposed at some ports, impacts of urban encroachment on ports and connections to ports, and adequacy of development planning and land protection. It should also look at the economic impact of delays; uncertainty and the capacity for logistics chains to respond; and increased freight costs (including fees and charges in the sector) and cancellations of sailings, including on importers, exporters, and supply chains. Australia’s maritime logistics system

TOR 3: Examine workforce issues, including industrial relations, labour supply and skills, and any structural shifts in the nature and type of work in the maritime logistics sector.

TOR 4: Assess infrastructure needs and constraints, including options to enhance the efficiency of ports and connected landside supply chains and the interactions between decisions of different levels of government. This should include reviewing rail access at container ports; any imbalance between the types of containers for imports versus exports; the suitability of container storage facilities; and costs and benefits of investing in new port and shipping infrastructure or enhancements to existing infrastructure to enable the use of larger ships. This should also identify the role of Governments and the private sector in meeting current and future infrastructure challenges in the sector.

TOR 5: Research mechanisms to help improve the sector’s resilience and efficiency. This should include examination of technology uptake, innovation, data capture and sharing across international freight networks compared to Australia; examples of areas where Australia does well; identification of technologies that offer the greatest productivity gains in the Australian circumstances; and identification of any barriers to greater uptake of technology and innovation.

TOR 6: Have regard to the interlinkages and dependencies between the maritime logistics sector and other logistics systems, such as air freight and landside supply chains. For example, the impact of the resumption of air freight on ports, the preparedness of ports for disruptions in these supply chains and the role of ports for landside supply chains.

TOR 7: Have regard to the ACCC’s container stevedoring monitoring report; the Productivity Commission study into vulnerable supply chains; the National Freight and Supply Chain Strategy agreed by Commonwealth, state and territory governments; and the Government’s in-principle acceptance of the Harper Review’s recommendation to repeal Part X of the Competition and Consumer Act 2010.