



ASP Ship Management Pty Ltd Submission

Coastal Shipping Policy and Regulation Inquiry

Standing Committee on Infrastructure, Transport, Regional Development and Local Government

Introduction

ASP Ship Management Pty Ltd (ASPSM) is head quartered in Melbourne and operates two fully staffed branch offices, one in Gladstone Queensland and the other in Rockingham, Western Australia.

It functions as part of a global network of sister management companies situated in the UK, Scandinavia, India, Singapore and New Zealand who in turn provide support to our managed vessels on a worldwide basis.

In Australia, the Company is one of the largest employers of Australian seafarers and has over many years maintained a strong commitment to the training and development of young Australians who seek to embark upon a career at sea.

Through this submission and our ongoing involvement in the activities of the Australian Shipowners Association (ASA), ASP is committed to playing an active role in the Coastal Shipping Policy and Regulation Inquiry.

The intent of this submission is not to replicate the very detailed document prepared by ASA but more to highlight specific issues that impact upon ASP's operations as well as identify obstacles, be they regulatory or otherwise, that impact upon the ability of Australian operators/managers to effectively and efficiently manage their operations. Where possible, we also intend to put forward proposals that may assist in combating these issues.

International '*riding squad*' best practice and the effects of DIAC policy

Under International law and the Rules of Classification, vessels are required to 'dry dock' as a minimum once every five years. To provide some context, when a vessel goes to dry dock it is taken out of service to undergo repairs and survey that cannot ordinarily be carried out during normal trading. Typically this work would include underwater paint coatings, removal of the vessels tail shaft for survey, examination of sea chests and steel plate replacement. This is often an expensive and time consuming process exacerbated by the fact that in Australia dockyard facilities are limited and in the case of larger vessels capability is non-existent. This results in many Australian managed vessels incurring even greater expenses as they are required to deviate overseas to find a suitable dry dock facility.

Setting aside the mandatory obligation to conduct dry dockings and repair /survey activity associated with non accessible of underwater areas of the ships structure, these events take on a greater magnitude for Australian tonnage.

Lack of appropriate labour coupled with often busy coastal scheduling dictates that our dry dockings incorporate a significant component of catch up maintenance, running repairs, deck/superstructure paintwork and cleaning of machinery spaces.

Whilst this 'spring clean' restores the ship to a satisfactory condition, once back in service this status is short lived and our Australian vessels slip back to a level which does not compare favourably with their overseas counterparts.

As previously stated ASP is a global ship management company and in our international operations we adopt what is generally described as best practice namely continuous maintenance and upkeep whilst the vessel is trading. We do this by augmenting the operating crews with 'riding squad' workers who are well trained and well experienced in the conduct of voyage repairs, coating protection, tank and machinery space cleaning

The term '*riding squad*' stems from the fact that they '*ride*' as supernumeraries on board vessels for fixed periods of time to conduct specific tasks.

There are many efficiencies gained through the adoption of this practice including:

- Vessels are maintained to the highest standard;
- There is a reduced risk of environmental incidents;
- It provides for a safer and cleaner workplace;
- It reduces dry docking costs;
- It reduces the length of time that vessels are out of service and if adopted locally would without question improve the competitiveness of Australian coastal shipping.

Inability for Australian licensed vessels to adopt international 'riding squad' best practice

Riding squads have not typically been utilised by operators whose vessels are Australian licensed. This is largely due to two reasons:

1. The intermittent nature of the work appears to adversely affect the availability of Australian labour. Also, Australian organisations specialising in this area are non – existent; and
2. Australia's immigration laws/policy prevents ship managers from engaging professional riding squads from other parts of the world. At present, no occupational category exists on the approved occupations list for subclass 457 visas that appropriately describes the occupation of a riding squad member.

Throughout other parts of the globe various organisations specialise in providing a '*riding squad*' service. Unfortunately, it is difficult for managers of vessels operating in the Australian coastal trade to engage such organisations by virtue of Australia's immigration regime – essentially no visa category exists to cater for such situations.

ASP recommends that the recently implemented Maritime Crew Visa's application should be extended so that it is an appropriate visa for 'riding squads' engaged to perform work on vessels licensed to engage in the Australian coastal trade. The Maritime Crew Visa is a relatively new category of visa that ensures for the first time seafarers travelling to Australia on ships undergo the same security and immigration checks that any other travellers must undergo.

Significantly, the MCV is classified as an appropriate visa for '*riding squads*' working on vessels currently operating on the Australian coast under single or continuous voyage permits. This results in unlicensed ships being able to operate in Australia and adopt international best practice. Significantly, this disadvantages Australian Licensed Vessels operating in the Australian coastal trade.

Such an amendment would ensure that Australian licensed vessels are in a position to engage international best practice through conducting regular maintenance and repair work and thus reap the benefits outlined above.

Shortage of Maritime Skills

It is no secret that there is a severe shortage of maritime skills in Australia. The shortage has reached a critical point and is undoubtedly the biggest issue facing the industry today.

Despite being a major trainer of Australian seafarers ASP finds that it is constantly facing challenges with respect to the skills shortage. We are witnessing significant resources being invested in training and development yet the problem remains the same: the skills shortage continues to be a challenge.

This stems largely from the fact that the broader industry (*offshore sector, regulators, port authorities, surveyors, pilots etc.*) is heavily dependant upon a relatively small sector of which ASP is a major player – the bluewater shipping sector (trading vessels) as a labour source. Some 'end user' organisations simply cannot train by virtue of the fact that they do not have suitable vessels to facilitate the mandatory sea time component associated with obtaining sea going qualifications. Others simply choose not to train and instead focus their operations on luring valuable employees from those organisations that typically invest the most – organisations such as ASP and the clients we represent.

Figure 1 below illustrates the current flow of employees throughout the industry.

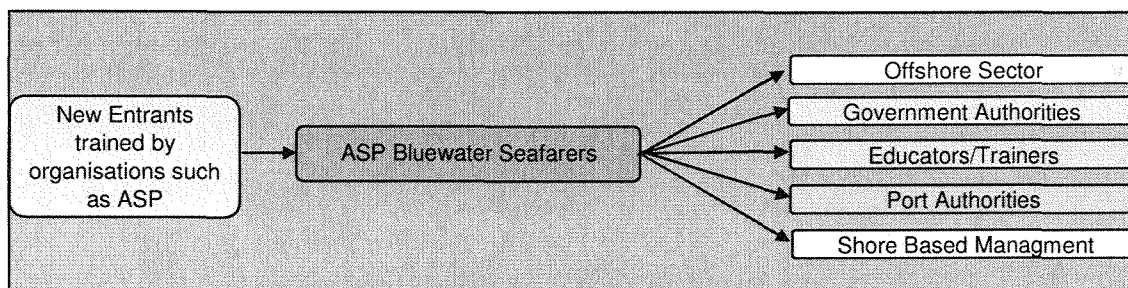


Figure 1

Considering the cost and time associated with training seafarers, bluewater employers are undoubtedly being hit the hardest by the shortage.

Essentially, ASP employs three categories of seafarers: Deck Officers, Engineer Officers and Integrated Ratings. There are huge costs associated with training seafarers in these departments. It can cost upwards of \$150,000 to train a single deck or engineering watchkeeper and upwards of \$75,000 to train Integrated Ratings (*the minimum qualifications required in each department to serve on vessels*). It then costs a further \$100,000 to \$150,000 to train watchkeepers to occupy more senior positions.

So what can be done to fix the problem?

Given there is considerable time involved in training seafarers there is little that can be done in the immediate short term. This should not prevent the implementation of strategies aimed at assisting in the longer term. Under long established and well founded international regulations it is obvious that the lion's share of providing seafarer training and development will always rest with bluewater organisations. As such, strategies need to be aimed at increasing the size of the labour pool in an attempt to relieve pressure on the bluewater sector.

Such strategies may include:

- Amend section 23AG of the *Income Tax Assessment Act 1936* to allow Australian resident seafarers working in international organisations to receive the same tax treatment as other Australian residents working abroad. Currently, by virtue of section 23AG Australian seafarers, including trainees, are disadvantaged in that to secure foreign employment or foreign training opportunities they must accept lower salaries or attempt to negotiate higher salaries than seafarers recruited from other nations.

Such an amendment may further facilitate or encourage foreign organisations to train Australian seafarers.

The amendment would also ensure that Australian seafarers working for foreign organisations and working on ships that do not visit Australia are treated in the same manner as those Australians working in land based industries abroad (*for more detail on this matter please see the Australian Shipowners Association submission*).

- Review training pathways and structures with an objective of gaining efficiencies while ensuring current standards are maintained.
- The development of a system that enables 'end users' of seafaring labour (see *figure 1*) to assist in the training and development of seafarers. Such assistance may be in the form of financial funding or otherwise.

Conclusion

ASP Ship Management would like to thank the Standing Committee for the opportunity to provide input into this enquiry. There is a tremendous opportunity to develop Australian coastal shipping and ASP looks forward to participating further in the inquiry. The table below provides a summary of the recommendations detailed in this submission.

Summary of recommendations

1. The Maritime Crew Visa's (MCV) application to be extended so that the MCV is an appropriate visa for *'riding squads'* on licensed vessels engaged in the Australian coastal trade.
2. Section 23AG of the Australian Income Tax Assessment Act 1936 be amended to allow Australian residents working abroad as seafarers to receive the same tax treatment as Australian residents working abroad in land based industries.
3. Training pathways to be reviewed to gain efficiencies where possible.
4. Develop a system that allows 'end users' to contribute to the training and development of Australian seafarers.

