



**MARITIME
INDUSTRY
AUSTRALIA**
L I M I T E D

**MIAL SUBMISSION TO
STRATEGIC MARITIME
FLEET DISCUSSION
PAPER**

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Part One – Nature of business and nature of shipping needs

To get a picture of your activities and put your later responses into the right context, please answer the following questions.

1. **Are you a cargo owner moving freight by sea? no**
2. **Are you a Freight Forwarder? no**
3. **Are you a ship owner/operator? no**
4. **Are you representing an industry or other peak body? Yes**

If yes, please answer the following:

- Who do you represent?

Maritime Industry Australia Ltd (MIAL) represents Australian companies that own or operate a diverse range of maritime assets including 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 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, to ensure 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 diverse, thriving, and sustainable sovereign maritime capability for Australia.

- What is your group's interest in the strategic fleet?
- Why are these of interest?

MIAL has long advocated for the need to build Australia's sovereign maritime capability, including the establishment of a national strategic fleet. The strategic fleet concept provides an important mechanism to arrest the decline in Australian shipping and to support and accelerate the rebuilding of this capability while the regulatory and policy issues that have led to its decline can be addressed.

MIAL members have a significant interest in the potential for expansion of business opportunities, but also to ensure existing business continuity. For Australian maritime industries, and those businesses that rely on them, Australia's sovereign maritime capability, our international and domestic supply chain security and the supply of critical maritime skills are inextricably linked.

5. **Are you another stakeholder? no**

Part Two - Strategic needs

What is the strategic need?

To help the Taskforce home in on what the strategic needs the fleet could meet, the next question takes the example of a long-term stoppage to shipping. This is to help focus attention on the situation where there will be major consequences for the economy and community and to consider how the fleet could be used in times of crisis. This is not to discount the impacts from other

disruptions or the consequences for businesses or individuals, but to help government understand how to best use limited resources and identify a fleet that meets the greatest needs.

6. If there was a major disruption that means shipping ceased for more than a few weeks what would be the financial and non-financial consequences for:
- your business
 - your customers
 - the economy
 - the community

As an industry peak body MIAL is not able to provide specific advice on business and customer impacts resulting from such disruptions to shipping other than in a general sense. Two examples of large scale impacts resulting from disruptions to coastal shipping and international shipping are provided, however there will be many more examples throughout the Australian economy:

- 1) Australian aluminum, steel and cement manufacturers are heavily reliant on consistent coastal shipments of products critical to their manufacturing processes. Significant disruptions to shipping services would severely impact the ongoing viability of these manufacturing operations, which in turn will impact the supply of aluminum, steel and cement products to the Australian building and construction industry.
- 2) Australia's two remaining petroleum refineries are heavily reliant on regular shipments of imported crude oil. Disruptions to international shipping affecting deliveries of crude oil into Australia will severely impact on the ability of Australian refineries to support the national energy supply resilience.

For many years now, MIAL has been raising the alarm on the obvious vulnerability to our economy and to the Australian community of having little to no sovereign shipping capability of the type that could be utilised to secure our supply chains in such circumstances.

As an island nation, our security depends on Australia having a viable shipping industry. Around 90% of our trade, including fuel and fuel additives, chemicals for drinking water sanitation and fertilizer, construction materials and key inputs to manufacturing, is transported to and around Australia on ships.

Australia's commercial fleet has fallen to only 13 large scale vessels and will be down to just nine by 2024. This makes Australia almost entirely reliant on overseas flagged ships who are beholden to the countries they are flagged in.

In times of crisis those countries can direct their ships to act in their own interests, cutting Australia off from vital trade links for essential supplies. No commercial arrangement will overrule a country's preparedness to direct assets within its jurisdiction for its sovereign needs.

Recent events have highlighted how a local and international crises or disruptions can impact our supply chains and effect global shipping, including:

- Lockdowns, border closures and consumer behavior effecting demand associated with the COVID-19 global pandemic. During this time international shipping suffered significant disruption and came close to total collapse. This would have left Australia isolated and exposed, unable to access ships to deliver vital goods.
- Geopolitical instability, including the invasion of Ukraine saw many shipping companies caught in the crosshairs of the Western sanctions targeting Russia's economy, taking capacity

out of the market. Russian controlled ships are being directly sanctioned, impacting tankers and LNG carriers – as much as 7.4 percent of the world’s tanker fleet was at risk of blacklisting, which adds pressure to the number of available ships that can be used for trade worldwide.

- The loss of the east/west rail line due to flooding cut Western Australia off from accessing critical supplies from eastern states.

In situations such as these, countries may call upon tonnage registered under their national flag and run by companies based in their jurisdiction, to ensure their own supply. In these circumstances, Australia currently has very limited options, increasing the risk of Australians being unable to access vital goods. The next crisis could be around the corner and potentially in our own backyard.

A strategic fleet would build a measure of capability and resilience in our supply chains, providing some mitigation against these very foreseeable risks and provide the nucleus for ongoing growth in Australia’s national maritime capability.

What are the benefits from the fleet during ‘business as usual’ or other scenarios?

Outside of the strategic fleet being called on in times of great disruption, the Taskforce is interested in what other benefits the fleet may provide. In providing your answers to the questions below, you may wish to consider where the fleet might provide more certainty and more control for Government or industry. The following list is a guide – there may be more areas of opportunity for your particular area of shipping.

- Continuity of supply
- Service frequency and reliability
- Service quality
- Risk mitigation – controlling unknown risk factors
- Efficiency and productivity
- Ability to secure long terms contracts of affreightment
- Freight contract terms e.g. moving from FOB contracts, to, for example, CRF contracts
- Future investment in ships, shoreside infrastructure and the workforce
- Business development opportunities
- Innovation and uptake of technology
- Decarbonisation
- Creation of a maritime cluster

7. Benefits to you or your stakeholders.

- If a fleet of Australian flagged and crewed vessels was established, would you see benefits from the fleet for your business or your stakeholders during periods of ‘business as usual’?
- What are these and who would benefit?
- Do you have any data or research that quantifies these benefits?

For example, having a fleet may provide training and employment opportunities.

Maritime Skills Development

What remains of the Australia shipping industry is feeling the effects of its own decline acutely. There is effectively no pipeline for maritime skills development and, given we are an island nation, significant and growing demand across the economy for the highly qualified and skilled workforce that the industry produces is at risk of being unmet.

While this critical skills shortage creates its own bottleneck with respect to industry growth, the strategic fleet, if implemented in parallel with a dedicated and concentrated program to address structural maritime training issues, will provide the platforms to increase maritime training for the benefit of the national shipping industry and broader economy.

Benefits of growth in the Australian maritime cluster

Other shipping nations incentivise, subsidise or protect their shipping industry because they recognise the national security benefits in having a sovereign shipping capacity, but also because of the economic benefits that are derived from the increased and diversified business activity of services industries associated with the maritime cluster.

The additional scale of the maritime cluster is likely to provide cost and efficiency benefits as service industries, such as technical maintenance providers, increase their local footprint in Australia. Currently many of these providers are required to travel from overseas to service the Australian industry and increased costs compared to similar services in other jurisdictions.

Decarbonisation and decongestion

Australia has the potential to become a renewable energy superpower and a major generator of low and zero carbon maritime fuels to supply the local and global industry. There are many synergies between this potential, our reliance on shipping, and the Governments commitment to a strategic fleet.

For example, a strategic fleet vessel could be deployed into a region with the dual purpose of servicing a viable trade while underpinning offtake demand for a locally produced low or zero carbon bunker fuel. Both policy objectives require government support and/or policy and regulatory intervention to avoid disproportionately increasing costs for users of the service.

Furthermore, there are many opportunities for Australia to adopt short sea shipping solutions, given the right policy, regulatory and economic conditions. Deployment of flexible tonnage via the strategic fleet, that requires minimal port infrastructure would have the effect of increasing freight capacity, building supply chain resilience, reducing road congestion and reducing carbon emissions associated with those parts of the domestic freight picture that could be contestable (i.e., non time sensitive freight).

Community Safety

The Victorian community was the beneficiary of a commercial vessel coming to assist with evacuation during very recent bushfire events. That the vessel was positioned geographically to assist, and that the commercial partners of that vessel reacted so immediately was indeed very fortunate. Vessels of a certain type can be readily adapted in times of emergency to assist with saving lives and are particularly critical for coastal communities who may have land access impacted by fire or flood.

8. Broader benefits

- Do you see the fleet providing benefits to national security and sovereignty?
- What are these benefits and who would benefit?
- Do you have any data or research that quantifies these benefits?
- Do you see the fleet supporting future economic activity?
- What activity and who would benefit?
- Do you have any data or research that quantifies these benefits?

For example, having a fleet may open up regional manufacturing opportunities by moving bulk goods in volumes that are currently unable to be moved by road or rail.

Given the current geopolitical tensions in our region and international instability, the broader benefits derived from Australia having a strategic fleet should not be underestimated. Australian maritime capability, delivered via a strategic fleet is incredibly important to our national security and sovereignty in the following ways:

- Greater capability for deployment for the purpose of providing humanitarian aid, infrastructure development and capacity building within our region including in the Pacific and Southeast Asia to help bolster our strategic national interests and our standing as a critical regional partner and important middle power.
- Increasing Australia's overall maritime activity, in terms of tonnage, assets, skilled workforce and commercial knowhow will create a deeper pool of capability that can be drawn upon by the defence forces in times of conflict.

A strategic fleet would support future economic activity in the following ways:

- Australia's burgeoning offshore wind industry will be heavily reliant on maritime capability throughout construction, operation and decommissioning of infrastructure, in an environment where global competition for these skills and assets is fierce. Increasing Australia's overall maritime capability via a strategic fleet as well as other policy and regulatory measures will make an important contribution to Australia's energy transition and will help to ensure as much of the economic benefits from this new industry as possible are held within Australia.
- It is not clear how much near term and future resource development activity has been postponed in the short term or indefinitely due to concerns related to critical maritime skills shortages. However, anecdotally, this is likely to be a factor. Over the next few months, MIAL will be working with other stakeholder groups to understand this issue and other issues related to maritime skills shortages better. MIAL would advocate that the Government can significantly contribute to this work in partnership with industry.
- Shipping has a major role in the distribution of future zero carbon fuels including hydrogen derivatives. A competitive Australian maritime industry, at the core of which lies a strategic maritime fleet, could support Australia's future fuels exports by providing safe and efficient transport, maximizing benefits to the nation.

Part Three – any other information

Please provide any other information that you think would assist the Taskforce in its deliberations on identifying the strategic needs a fleet of vessels could address.

Australia's interests in the maritime domain are unparalleled by any other nation. Yet Australia has been left vulnerable by decades of neglect of the maritime industry which has resulted in our near total reliance on foreign interests to control the shipping and broader maritime task.

While significant advances have been made in this space, recent events have demonstrated that it is difficult to anticipate disruptions and more importantly, it is difficult to anticipate the precise impacts such disruptions will have on the Australian economy and society.

MIAL is a strong supporter and promoter of the strategic fleet as an important accelerator and nucleus for growth in Australian maritime capability - a policy priority vital to Australia's supply chain resilience, national security and firmly in the national interest.

In parallel to policy discussions on the development of the strategic fleet, the Government must also consider the policy and regulatory changes, including changes to the corporate and income tax settings, that must take place to ensure Australian shipping can compete on a level playing field with foreign ships. Australia's long term strategic interests relating to our sovereign maritime capability are best served by creating the environment that fosters a sustainable, diverse, and competitive and substantial fleet of Australian ships.