

The Australian

Feathering a bed for the return of bludging Fred

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IN late 1987, John Button, the industry minister in the Hawke government, announced he had discovered Australia's biggest bludger. He was, Button said, a wharfie, call him Fred, who for 20 years had been transported to and from the port by taxi, had clocked on, clocked off, done no work and drawn full pay. All this under union-imposed rules.

Think those days long gone? Think again. For as Julia Gillard makes good on old debts, it's pay-off time for the Maritime Union of Australia. The result is a great leap backwards that will cost Australians dearly.

Nowhere are the dangers starker than in shipping, where Transport Minister Anthony Albanese has announced sweeping changes that are little more than handouts to the MUA.

To begin with, seafarers on ships plying international routes will be exempt from Australian income tax. In announcing that giveaway, Albanese said "it makes no sense that an Australian seafarer sitting on a ship in London should pay Australian income tax while an Australian working in a pub in London does not."

What Albanese did not say is that the backpacker working in the pub will pay British income tax; the Australian seafarer will not. By excusing the seafarer from Australian tax obligations as well, Albanese's change makes that income tax-free.

At the same time, a wide range of subsidies will be provided to ships that register in Australia. Those subsidies are intended to reduce the cost of purchasing or leasing ships. But long experience shows that far from increasing

competitiveness, those subsidies are quickly seized by the MUA in the form of higher pay and slacker working conditions.

To describe these handouts as poor quality public expenditure is an understatement. That they have been announced in what is claimed to be a tough mini-budget says it all about the credibility of the government's commitment to eliminate waste. But unfortunately, there is even worse. For so as to lock in the MUA's rents, new rules threaten to dramatically restrict, if not entirely eliminate, the ability of foreign registered ships to compete on Australian coastal routes.

At present, those ships can provide service under a permit system which, in principle, allows foreign ships to carry freight between Australian ports only if an Australian vessel is unavailable. Beginning in the mid-1980s, a de facto liberalisation of that system occurred, with permits easier to obtain, first for single voyages and then for multiple voyages over a six-month period. The Howard government largely continued the liberalisation trend, effectively granting permits on demand.

That liberalisation allowed especially significant gains in the quality and cost-competitiveness of shipping from Melbourne and Sydney to Perth, as the larger, international, vessels are best placed to make the rough passage westwards across the Australian Bight. With strong competition from foreign vessels, shipping rates from the east coast to Perth fell by more than a third in real terms between 1989-90 and 2006-07, while rates for Tasmanian shipping, which government subsidies reserve for Australian-flagged ships, barely budged.

Under Albanese's rules, the permits that allowed that competition will be eliminated. Although a new class of temporary licences will be introduced, "existing foreign-registered vessels will have five years to transition to Australian registration". Whether any temporary licences will remain available at the end of that period is uncertain; but what is clear is that the proposed test for those licences creates enormous risks of protectionist mischief.

The wording says it all: it asks whether issuing a permit to a foreign ship is "in the long term interests of a sustainable and competitive Australian shipping industry".

The "overriding test", therefore, is not what is good for Australian consumers,

nor for the Australian community as a whole: rather, as in our protectionist past, it is producers' interests that come first.

Little wonder so many of the industry's customers are in a panic. Already, shipping charges have increased, as Fair Work Australia has forced foreign-registered coastal shippers on to a "modern" award that doubles wage rates.

To make matters even worse, those rates have to be paid to all crew from the moment a single container for the coastal route is loaded on a foreign-registered ship, quite regardless of how many containers it is carrying that are coming from or going overseas. And they must be paid even if a container from say, Singapore, is merely shifted in Brisbane from one international vessel to another that will call at an Australian port the first vessel does not serve.

All that only reduces the willingness of foreign ships to serve the coastal trade. But with the costs of Australian ships more than twice those of overseas registered vessels, it is hardly as if there is an internationally competitive local industry waiting to take their place. That cost penalty is not simply or even mainly due to higher Australian wage rates. Rather, it reflects conditions the MUA imposes, for instance on maintenance of ships at sea, that impede efficient use of vessels, which are an enormously costly, highly capital-intensive asset.

True, Albanese originally said progress in removing such inefficiencies had to accompany implementation of his policy package. But with the MUA knowing where this government's allegiances lie, the "industrial compact" Albanese once termed an absolute precondition has become little more than an aspiration. As this leaves work practices on our ships frozen in the past, the competitiveness gap between Australian and foreign vessels is steadily growing.

Given that growing gap, the government, to achieve its objective of substantially increasing Australian ships' share of the coastal trade, will have little choice but to clamp down on foreign competition. And the changes it has announced allow it to do exactly that.

There are entire industries for which the resulting cost increases will be the last straw. Cement, already hard hit by the carbon tax, is one, as Albanese's changes ensure shipping directly from Southeast Asia to our cities will be far cheaper than transporting Australian clinker through the coastal trade.

But the worst of it is the utter irrationality of the government's objective. With barely 0.3 per cent of global population and 1.5 per cent of world output, we account for 10 per cent of the world's entire sea trade. No country has a greater need for a policy that ensures access to efficient shipping services, regardless of who supplies them, rather than one focused on the narrow, sectional interests the MUA represents.

Yet those broader concerns have played little role in this policy process. Sure, Albanese claims his changes are "the most significant reform in our maritime history". But this is not reform; it is counter-reform. Twenty-five years on, Fred is back. And we will be the ones who suffer.

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