



THE HON IAN MACFARLANE MP
MINISTER FOR INDUSTRY AND SCIENCE

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9 FEB 2015

The Crew from the British Loyalty
The Crew from the British Fidelity
The Crew from the Alexander Spirit
The Crew from the Hugli Spirit
fuel.security@mua.org.au

MC15-000121

Dear Sirs

Thank you for your emails of 7 January 2015 to myself, Mrs Karen Andrews MP, my Parliamentary Secretary and other Members of Parliament concerning Australia's liquid fuel security. I am responding in my role as Minister responsible for fuel security and on behalf of the Hon Warren Truss MP, Minister for Infrastructure and Regional Development, also responsible for coastal shipping matters.

Australia has a robust commercial fuel market where stocks have remained stable over time. This has proven to be highly reliable in maintaining supply without the need for government mandated stocks even during significant global and local disruptions. Australia's reliance on imports and our changing refinery capacity does not indicate a decline in the market's ability to maintain reliable supply. Australia is a member of the International Energy Agency with stockholding obligations and we are mindful of members' stockholding obligations.

Furthermore, the Australian Government continually monitors the liquid fuel supply arrangements and has plans in place with State and Territory governments under the *Liquid Fuel Emergency Act 1984* (Cth) if action is needed to prioritise essential supply.

I note the Rural and Regional Affairs and Transport References Senate Committee is conducting an inquiry into Australia's transport energy resilience and sustainability. The Government will respond to any findings made after the final report is presented.

Australia's liquid fuel is provided by a diverse international supply chain, which at any given time involves crude oil and refined product being shipped to Australia along a number of shipping routes. The variety of supply, port and storage facilities around Australia mean that a range of tankers are needed to meet the range of requirements at each facility. Mandating the use of Australian-flagged ships crewed by skilled Australian seafarers, would reduce the flexibility and variety of tankers available and negatively impact Australia's liquid fuel supply security.

In relation to the safety of the ships that carry petroleum, the Government remains committed to a safe, secure and efficient transport system; including transport services for fuel supplies. All vessels in Australian waters, regardless of their Flag State, are subject to international maritime conventions which give powers to states to which ships travel (known as port states) to ensure ships do not pose an unreasonable threat to the safety of the ship, its crew or the marine environment whilst in their waters.

The Port State Control, administered by the Australian Maritime Safety Authority (AMSA), is in place to verify that ships are compliant whilst in their waters. AMSA's Marine Surveyors perform port state control inspections and may board a ship at any time to inspect and detain unseaworthy or substandard ships under sections 257 and 248 of the *Navigation Act 2012*.

I note that while the four currently operating tankers you refer to are crewed by Australians, they are all registered in countries other than Australia and are operating on the coast under transitional arrangements put in place with the current regulatory framework for coastal shipping. The ongoing crewing and registration of these ships is a matter for the owners and operators.

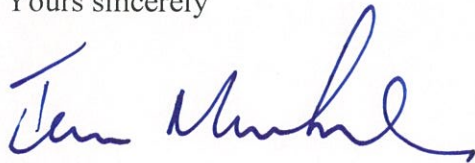
I am confident existing ship safety measures are suitable for Australian needs. AMSA conducted port state control inspections on 60 per cent of the foreign flag commercial ships that visited Australia in 2014, including 80 per cent of foreign Flag oil tankers. The detention rate for oil tankers of 4.1 per cent compared to 7.2 per cent for all foreign flagged ships. By way of reference, AMSA conducted 80 Flag State Control inspections on Australian ships in 2014 for a detention rate of 3.75 per cent. At 7.3 per cent deficiencies per inspection, the rate of deficiencies in Australian flagged oil tankers was significantly higher than that of foreign flagged tankers 1.8 per cent.

In relation to concerns about the wages and conditions of foreign seafarers, Australia is a signatory to the Maritime Labour Convention 2006 (MLC), which came into force in August 2013. To date, 64 International Labour Organisation Member States representing more than 80 per cent of the world's global shipping tonnage have ratified the Convention. The MLC provides an international safety net of standards regulating seafarer employment relationships for the world's 1.5 million seafarers and creates a level playing field for shipowners and operators.

The regulations and guidelines of the MLC 2006 set out the minimum standards for employment, accommodation, health protection, medical care, welfare and social security protection of seafarers. Among other things, these requirements seek to ensure that seafarers are not abandoned, alone and legally adrift for months on end, without pay, adequate food and water and away from home. They clearly define the role of flag States that register ships in ensuring that adequate security exists to mitigate the financial, legal and human cost of abandonment, and death and long term disability due to occupational hazards. The AMSA is responsible for enforcing the MLC in Australia.

I thank you for writing to me on this matter and trust this information is of assistance.

Yours sincerely



Ian Macfarlane