



One Company
Many Brands



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Manager
Corporate Tax Unit
Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email shipping@treasury.gov.au

Dear Sir/Madam

RE: SUITE OF MARITIME TAX REFORM BILLS

I refer to the suite of tax reform bills (the Maritime Tax Reform Bills) open for public debate, namely the:

- *Shipping Reform (Tax Incentives) Bill 2012*, which establishes eligibility criteria for the access to taxation concessions;
- *Shipping Registration Amendment (Australian International Shipping Register) Bill 2012*, which establishes an alternative register, the Australian International Shipping Register (AISR);
- *Coastal Trading (Revitalising Australian Shipping) (Consequential Amendments and Transitional Provisions) Bill 2012*, which regulates interstate coastal trade through a three (3) tier licensing system; and
- *Tax Laws Amendment (Shipping Reform) Bill 2012*, which provides taxation exemptions and incentives for certain Maritime activities.

Suncorp welcomes the opportunity to contribute to the discussion.

The Suncorp Group

Suncorp Group Limited and its related bodies corporate and subsidiaries (collectively 'Suncorp') offers a range of financial products and services in banking (Suncorp Bank), general insurance, life insurance and superannuation (Suncorp Life) across Australia and New Zealand. Suncorp has around 16,000 employees located across Australia and relationships with over nine million customers.

Suncorp offers statutory insurance products through our mass brands: AAMI, GIO, Suncorp and Vero. GIO is the predominate brand for statutory workers compensation policies of insurance with Vero underwriting the seafarers workers compensation insurance products. Vero offers a range of commercial marine insurance products including conventional and specialised marine cargo, loss of income covers, road carriers' liability, marine hull and liability.

This submission is made on behalf of the Suncorp Commercial Insurance division.

The Suite of Maritime Tax Reform Bills

Suncorp commends and supports the Federal Government's broad initiative to revitalise the Australian shipping industry, rewrite the *Navigation Act 1912* and create a single national jurisdiction for the regulation of commercial maritime safety.

The broad agenda to revitalise the Australian shipping industry extends to the four (4) Tax Reform Bills¹ and the:

- *Marine Safety (Domestic Commercial Vessel) National Law Bill 2012*
- *Navigation Bill 2012*; and
- Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority) Seacare Jurisdictional Coverage— Discussion Paper.

Suncorp has lodged a submission in respect to the *Marine Safety (Domestic Commercial Vessel) National Law Bill 2012*² and seeks to rely on the overarching principles in that submission.

As stated in our earlier submission, Suncorp's interest in the Maritime legislative reform is twofold. First, the safety of crew and property related to Australian vessels through the application of best practice risk mitigation strategies. Secondly, the reduction of the regulatory burden, wherever possible, for operators of Australian vessels operating in more than one jurisdiction, covered by Australian law.

Suncorp confines its comments to overarching principles in respect to the significant legislative reform of the shipping industry, which involves interaction with numerous pieces of legislation.

Scope, Objectives and Key Definitions

Suncorp considers it vital that the scope, objectives and key definitions be clear and consistent to ensure seamless interaction of all pieces of relevant legislation, relating to the maritime industry and relevant insurance. The aim is to provide clarity and avoid the potential for disputes.

The terms 'domestic commercial vessel' and 'recreational vessels' are examples of terms that require consistent definitions across all relevant legislation. For the sake of clarity and consistency, Suncorp submits the following be considered:

- the term 'recreational vessel'³ be standardised and defined consistently with the term 'pleasure craft' used in Section 9 of the *Insurance Contracts Act 1984* (Cth);
- the jurisdictional scope of relevant legislation should be standardised to the 200 nautical miles limit of the Australian Exclusive Economic Zone; and
- a consistency of approach in respect to any marine environment protection provisions and relevant State and Federal legislation and any conventions, such as
 - *Transport Operations (Marine Pollution) Act 1995* (Qld) (TOMPA);
 - *Great Barrier Reef Marine Park Act 1975* (Qld) (GBRMPA); and
 - *Protection of Sea (Civil Liability for Bunker Oil Pollution Damage) Act 2008* (Cth) (the Bunkers Act).

Suncorp supports the proposed taxation incentives to invigorate the Australian shipping industry. This is an opportunity to consider other tax incentives that might also assist with this outcome. For example, a review of the current stamp duties regime that applies to purchases of marine hull policies of insurance should be considered.

Eligibility Criteria for the Access to Taxation Concessions

A key element to establish eligibility for taxation concessions is the mandatory training requirement. This requirement is to be set in regulation, yet to be released. Suncorp submits that the mandatory training requirement includes best practice occupational, health and safety training consistent with the standards applied in the harmonised arrangements of the occupational health and safety laws that came into effect in many Australian States from 1 January 2012.

¹ The intention is that only the *Tax Laws Amendment (Shipping Reform) Bill 2012* will be administered by the Australian Government Treasury and the remainder of the Tax Reform Bills will be administered by the Department of Infrastructure and Transport.

² Suncorp Response - *Exposure Draft Marine Safety (Domestic Commercial Vessel) National Law Bill*, dated 29 February 2012.

³ As used in *Marine Safety (Domestic Commercial Vessel) National Law Bill 2012*

The Australian International Shipping Register

The Australian International Shipping Register (AISR) will be established alongside the already existing General Register, both to be administered by the Australian Maritime Safety Authority (AMSA). The establishment of the AISR is intended to address the cost disadvantages currently experienced by Australian companies operating in the global shipping market, while maintaining high safety and environmental standards.

The key initiatives at reducing operating costs include:

- mix crew arrangements – only two (2) key senior crew positions must be occupied by Australian Nationals or residents;
- *Fair Work Act 2009* (Fair Work Act) and *Seafarers Rehabilitation and Compensation Act 1992* (Seafarers Rehabilitation and Compensation Act) will not apply to AISR ships while undertaking international voyages;
- AISR ships will be eligible for taxation exemptions and incentives.

Notably the Fair Work and Seafarers Rehabilitation and Compensation Acts will apply to General Register vessels. Under current law, the Registrar of Ships is obliged to register eligible vessels in the General Register. There is no similar obligation to register an eligible vessel under the AISR.

It is unclear if an eligible vessel is capable of being registered in the General Register and the AISR simultaneously and if so, the implications that might arise in respect to the application of the Fair Work and Seafarers Rehabilitation and Compensation Acts.

Further, it is intended that the Fair Work and Seafarers Rehabilitation and Compensation Acts will apply to AISR vessels if they engage in coastal trading or undertake intra-state voyages and are not covered by the Coastal Trading Bill provisions. Only General Register vessels will be permitted to apply for a general licence under the Coastal Trading Bill provisions. However, it is unclear if that restriction applies for the application for temporary and emergency licences.

Suncorp recommends review of the key provisions to ensure no unintended consequences arise in respect to the application of the Fair Work and Seafarers Rehabilitation and Compensation Acts upon General Register and AISR vessels.

General Comments

The Maritime Tax Reform Bills are part of wider initiative to invigorate the Australian shipping industry. As the initiative involves the introduction of seven (7) bills and review of the seafarers workers compensation scheme, it represents significant reform in the area.

In this environment, it is essential that the scope, objectives and key definitions are consistent across all pieces of interrelated legislation including legislation covering occupational, health and safety; workers compensation, general and maritime insurance. This is essential to ensure clear, consistent cost-effective, targeted, outcomes-based risk mitigation strategies that protect the welfare of seafarers, safety of marine property whilst invigorating the Australian shipping industry.

Accordingly, Suncorp suggests there be a review of the legislation - once implemented - to ensure there are no unintended consequences. Surveillance at the implementation stage may be required to ensure any emerging issues are resolved in a timely manner.

Suncorp broadly supports the tax incentive initiative to invigorate the Australian shipping industry but considers it timely to consider a review of the current stamp duties regime that applies to purchases of marine hull policies of insurance.

Suncorp wishes to work collaboratively with the Department of Infrastructure and Transport and AMSA in respect to this initiative as it relates to the safety of seafarers and maritime property. It is also timely to consider the regulatory burden on vessel operators subject to Australian law.

Suncorp is willing to discuss our submission and any other matters relating to the Maritime Tax Reforms Bills and related legislation with you. If you wish to do so, please contact me on 03 8681 9428 or 0425 294 903. Alternatively, please contact Mike Thomas – Manager, Government and Stakeholder Relations on 02 8121 3115 or 0419 772 069.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Annabelle Butler', written in a cursive style.

Annabelle Butler
Executive Manager
Public Policy and Stakeholder Management

CC Australian Maritime Safety Authority