



January 2023

Please find attached a Tasmanian Seafood Industry Council (TSIC) response to Independent Review of Domestic Commercial Vessel Safety Costs and Charging Arrangements - Phase 2 Consultation.

The Tasmanian Seafood Industry Council (TSIC) is the peak body representing the interests of wild catch fishers, marine farming businesses and seafood processing businesses. With respect to the wild catch sector, TSIC represents the interests of active fishers in Tasmania i.e., those people who physically go to sea and catch fish.

The Tasmanian seafood industry is a very complex industry, which includes both large and small vessel and business structures. Majority of our wild catch fleet are family structured, sole trader businesses who have limited capacity to deal with the increasingly complex requirements to operate.

The structure of the wild catch fishery supply chain is complex and includes investors who simply own quota; quota owners who actively fish; fishers who lease / supervisor a licence and buy in quota; processors; exporters; wholesalers; retailers and food service, amongst more. Each part of this supply chain has differing objectives, values and needs.

Current challenges in the industry, such as COVID and market access, have put significant pressure on operators.

Safety has always been a priority for TSIC and Tasmanian seafood operators.

As we move forward with new and changed maritime safety initiatives, it is paramount that any proposed change is supported by an evidence base for change, is affordable, and will achieve meaningful safety outcomes.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Harrington', is written over a light blue circular stamp. The stamp contains the text 'STAY Afloat' and '1300HELPMATE'.

Julian Harrington

Chief Executive



Independent Review of Australia's Domestic Commercial Vessel Safety Legislation and Costs and Charging Arrangements.

Costs and Charging Arrangements (Phase 2)

Submission from the Tasmanian Seafood Industry Council – January 2023

Opening Comments

The Tasmanian Seafood Industry Council, and Tasmanian seafood industry have been strong supporters of the overall objective of a single, national maritime safety framework for managing the safety of the Australian domestic commercial vessel fleet. This support is conditional of any delivery model aligning with the 2012 Council of Australian Government's (COAG) agreed objectives:

- Operate in a more efficient and effective manner
- Reduce red tape and complexity
- Reduce costs
- Improve safety outcomes

Under the AMSA single delivery model, which has been in place since 1 July 2018, TSIC is not convinced these objectives are being met, with Tasmanian seafood operators continuing to voice frustration at a complex, bureaucratic system of red tape, no common sense and cost.

It is important to note that others report better dealings with AMSA and the DCV system.

With respect to costs, a cost recovery levy model has been a long time in the making, with first discussions occurring in 2016. Until a cost recovery model is implemented, and an analysis of this and other fee for service and shifted costs is conducted, TSIC cannot ascertain whether a single point delivery of the National Law will in fact reduce costs.

TSIC is appreciative of the continued Australian and State government subsidy to support the delivery of the National Law framework until such time a levy is put in place.

However, with no levy in place since 1 July 2018, there will be significant cost shock when a levy is implemented, unless well planned and executed.

The current cost of operation (Question 1)

Earning a living on the high seas, whether it be a wild catch fisher or marine farmer, is not a glamorous job, and grass roots participants in general are not making millions of dollars. Instead, they make an honest livelihood, in amongst a world of increasing red tape, bureaucracy, paperwork, and endless fees and other costs of operation.

In Tasmania, costs associated with running a Class 3 (Fishing) DCV include:

- Fishing licence personal renewal (which includes peak body levy costs)
- Fishing Licence Vessel renewal
- Fishing Licence (e.g. Rock Lobster Entitlement, Fishing Licence Abalone Dive etc) renewal). These include sector association levy costs.
- Quota renewal
- MAST levy
- Slipping costs
- General maintenance costs – sand blasting, paint, oil filters hydraulics, etc.
- Independent vessel Survey Costs
- Fee for service costs
- Vessel insurance
- Lease quota costs
- Fuel, stores and other associated costs for a fishing trip
- Deckhand costs
- Vessel mortgage costs
- Mental Health support
- Much much more.

Exact costs will vary for different sized vessels and operations, but generally, larger vessels will have higher costs. These costs also need to be combined with the pressures and current high cost of living, driven by increasing interest rates and high CPI.

Combined with other dynamics of industry, such as sewage closures, harmful algal bloom threats and closures and rain fall closures in the oyster industry; and access to quota, uncertainty of markets and difficulty in finding crew for wild catch fishers; many in industry are feeling significant financial strain.

Any additional costs associated with maritime safety will only increase this financial burden and associated mental strain.

[Delivery of National Maritime Law pre-July 2018 \(Question 1\)](#)

AMSA took responsibility as the National maritime regulator on 1 July 2013. From this time until 30 June 2018, Marine and Safety Tasmania (MAST) delivered maritime services to the Tasmanian Domestic Commercial Vessel (DCV) fleet on behalf of AMSA.

MAST rapidly transitioned the Tasmanian DCV fleet to conform to all National maritime safety requirements. In line with the Australian Governments cost recovery policy, which required regulatory and service delivery functions to be funded by the domestic industry, MAST also transitioned to a full cost recovery model. This was achieved through the collection of a MAST Administrative Fee and Fee for Service arrangements.

Some states, however, recovered less than 5% of their costs, with the rest being subsidised by taxpayers.

There is no doubt that Tasmania, under the direction of MAST, were National leaders in national maritime safety. The MAST model also showed that the Tasmanian DCV fleet could accept a National approach to maritime safety and fund the cost of delivering that system.

Preliminary AMSA cost recovery models (Question 1)

Round 1 consultation - 2016

In September 2016, AMSA conducted its first attempt at Cost Recovery consultation. AMSA tabled two cost recovery models. Both models would be implemented under a staged / transitional approach to full cost recovery over a short transitional period.

- Model 1 – Proportional. Calculates levy based on a set rate per meter vessel length (\$105 per metre).
- Model 2 – Progressive. Calculates levy based on a fixed charge per vessel length category, then adds an incremental rate per meter.

As part of the 2016 Cost Recovery Levy consultation, TSIC provided a comparison of full cost recovery under the State MAST model and the proposed costs under full cost recovery for the two AMSA models tabled. This is summarised in Table 1.

The increased cost to Tasmanian seafood operators outlined in Table 1 do not take into account other shifted costs and increased Fee for Service charges. In particular, AMSA has not taken responsibility for all services provided by MAST. Subsequently, the Tasmanian commercial fleet are still required to pay a MAST Administrative Fee to cover the cost of providing navigational aids, marine radio communication and maintenance of marine infrastructure owned and operated by MAST, amongst more. This MAST levy is approximately 30% of the total cost recovery levy charged by AMSA and included in Table 1.

As shown in Table 1, the forecast cost increases for Class 3 operates was alarming, especially considering Tasmania was already operating under full cost recovery.

Consultation round 2 - FIAC

Further cost recovery models were tabled as part of the Fishing Industry Advisory Committee (FIAC) in late 2017. These models reduced the costs to the Class 3 (Fishing) vessels. The proposed magnitude of the levy under this model was in general accepted by TSIC and the Tasmanian seafood industry.

However, given the cost of delivering maritime safety across all DCVs is a fixed amount, this cost recovery model proposal resulted in significantly increased costs for other classes of vessel. Rightfully, these other classes of vessels did not support the proposed levy model and believed that Class 3 vessels had an inequitable advantage.

Table 1: The % increase in costs under AMSA Levy Models 1 and 2 full cost recovery in 2019 compared to an indexed MAST Administration Fee cost.

Vessel Length	% increase AMSA Levy Model 1	% increase AMSA Levy Model 2
5 m	20%	24%
6 m	36%	31%
7 m	58%	45%
8 m	60%	45%
9 m	63%	48%
10 m	57%	43%
11 m	73%	58%
12 m	85%	69%
13 m	101%	87%
14 m	116%	105%
15 m	81%	74%
16 m	93%	87%
17 m	105%	101%
18 m	70%	68%
19 m	80%	79%
20 m	89%	90%
21 m	53%	54%
22 m	60%	62%
23 m	67%	71%
24 m	45%	49%
AVERAGE	71% increase	65% increase

The transition to a single delivery model

After a 12 month delay, the Australian DCV fleet transitioned to a single point AMSA delivery model for the national law on 1 July 2018. To support the transition, the Australian and State governments provided financial support for a 10 year transition. This financial support meant that industry did not have to pay a levy in the first couple of years of transition. This zero levy model was extended in 2021, with the Australian government providing an additional \$11 million. This provided timely support for industry during the COVID pandemic, and also provided AMSA with time to review their costs and charges arrangements, and to consult on cost recovery model options.

TSIC appreciates this financial support during a difficult transition for Tasmanian vessels, however the process of reviewing and discussing cost recovery models has been slow and the continued delay will create further cost shock when a levy is implemented.

The cost of delivering the national law (Question 2 & 3)

The cost of maritime safety

Fundamental to a cost recovery levy is the amount that needs to be recovered – i.e. what it actually costs AMSA to deliver the national system.

Previous cost recovery consultation by AMSA states that the 'pre-AMSA' state-based delivery model for delivering the National Maritime Law across all states was \$40 million and that delivery under a single AMSA delivery model would be around \$21-\$23 million, a 50% reduction in the overall cost for delivering the NSCV.

Given that Tasmania, through the MAST delivery model, were operating under full cost recovery, it would be reasonable to assume that efficiencies under the single point AMSA delivery model would reduce the costs to Tasmanian operators by 50%. This was not the case as shown in Table 1 above.

TSIC and other states have questioned the \$40 million figure.

If the costs of delivery by AMSA in 2016 was \$21-23 million, and the current consultation aid document states that costs have remained relatively stable (page 21), then it is reasonable to assume that \$21-23 million remains the amount that is needed to be cost recovered?

A full disclosure of the current AMSA budget, and how this budget is spread through different ASMA activities is an important first step to the cost recovery discussion.

It is only with this information that TSIC and other jurisdictions can make informed comment about the AMSA delivery model, and recommend areas where savings could be considered.

It has been suggested to TSIC that other nations are able to deliver excellent maritime safety outcomes to similar sized or even larger fleets for a fraction of the \$21-23 million price tag proposed by AMSA.

TSIC recommends the independent panel explore the cost of delivering maritime safety in other countries to determine if the \$21-23 million price tag is reasonable.

Cost shock

The \$21-23 million delivery cost does not take into account the shifted services and costs that the Tasmanian fishing fleet incur, costs such as the continued MAST fee for services not provided by AMSA (30% of the 2017 MAST fee) and independent survey costs. The significant and increasing cost of operation, combined with market and other challenges, make seafood a difficult and unpredictable industry to operate in.

TSIC has real concern that the introduction of a cost recovery levy to cover \$21 – 23 million AMSA operational costs will create significant cost shock, and will greatly impact many operators in the Tasmanian seafood industry, pushing them to the brink of financial viability.

Australian Government cost recovery guidelines

The transition to AMSA as the single regulator, and ongoing delays in carrying out a review and consultation process for cost recovery, combined with the COVID pandemic has resulted in the Australian (and State) governments subsidising the cost of delivering the

National law. This means that to date, no cost recovery levy has been implemented, however, fee for service arrangements are in place.

This independent review process provides an important first step to better understanding the cost recovery process, and what impacts a cost recovery levy will have on Tasmanian seafood operators.

TSIC understands that the Australian Government cost recovery guidelines provide the framework for how cost recovery will be assessed and implemented by AMSA.

TSIC fully supports the Cost Recovery Principles detailed in the guidelines:

- Efficiency and effectiveness
- Transparency and accountability
- Stakeholder engagement

TSIC believe there are many areas of the current AMSA operations that could be more efficient and effective, which in turn would reduce the cost of delivery. For example, AMSA could delegate, under a trust and verify approach, more powers and authorities to independent surveyors. This would reduce AMSAs need to review paperwork and deliver final approvals, with no erosion of safety outcomes.

There are other areas of AMSA operation that do not necessarily need to be delivered by AMSA, but instead could be left to more efficient and cost effective third party providers. For example, safety training and SMS education and support.

Application of Cost Recovery Guidelines to other statutory authorities

TSIC would like to better understand how the Australian government applies Cost Recovery Guidelines to other similar Statutory Authorities, and how and why Government subsidy may apply to other sectors under the Cost Recovery Guidelines. For example, TSIC is led to believe that the cost of running the Civil Aviation Safety Authority (CASA) is subsidised by the Australian Government in recognition of public good. It is assumed that ensuring safe planes in the skies for people and goods is deemed to provide public good.

Similarly, the Australian DCV fleet also provides significant public good and community benefit in a number of ways including but not limited to:

- Transport of passengers on ferries & provision of on water tourism services (Class 1 Vessels)
- Commercial freight and work vessels servicing a multitude of sectors, including construction (Class 2 Vessels).
- Provision of sustainable and healthy protein to Australian's (Class 3 Vessels)
- Vessels to support recreational activities (Class 4 Vessels).

TSIC believes that these public benefits are on par, if not greater, than those benefits provided by the CASA.

The ability for many Class 3 operators to pay a new maritime safety fee, on top of all the state based fees and other increased costs of fishing, must also be considered in line with the Australian Government Cost Recovery Guidelines (11. Impact of the cost recovery on

competition, innovation or financial viability of those who may need to pay charges and the cumulative effect of other government activities).

The Australian Government must also consider what financial and regulatory burden other proposed changes, such as removal of grandfathering, will have on the financial viability of seafood operators.

The mental strain that any new charges will have on industry will be significant, and place further burden on our health system.

TSIC believes that AMSA should obtain a permanent subsidy from the Federal Government in line with the Cost Recovery Guidelines to offset the substantial public good the DCV fleet provides to Australia and in support of the significant impact the reintroduction of a levy would have on the financial viability of the Australian DCV fleet.

[A levy-based Cost Recovery Model \(Question 4 & 5\)](#)

The first round of Cost Recovery Model consultation in 2016 showed that Tasmanian operators would pay significantly more than under the State based MAST full cost recovery model. If shifted costs are taken into account, then there are significant increased costs.

Although the second round of cost recovery consultation (2017) was a better outcome for Class 3 vessels, AMSA still has a fixed cost to recover, therefore other classes of DCVs would be paying more to compensate for Class 3 vessels paying less.

This submission has already highlighted the impact of increased operational costs would have on many smaller Class 3 (and other Class vessel) operations.

The only way to not impact the financial viability of DCV operators is for the Government to have:

- 1) A long-term structure plan of change, with a subsidy, to gradually transition the fleet to full cost recovery (i.e. avoid cost shock).
- 2) Permanent subsidy of at least \$15 million in recognition of public good provided by Government maritime safety services and to ensure ongoing financial viability of operators, especially smaller sole trader family structure businesses.

TSIC strongly supports option 2 in alignment with the public good and supporting the future financial viability of DCV operators.

If the total amount that AMSA are required to cost recovery is significantly reduced through a permanent subsidy, then the specific cost recovery model used will create far less angst, as the magnitude of the levy for an individual will be significantly lower and manageable within their business structure.

With a permanent and substantial subsidy in place, TSIC would support a levy model based on a simple flat rate per metre vessel formula. An additional tiered levy based on risk could also be considered.

Grandfathering (Questions 6, 7 & 8)

TSIC directs the panel to comments made during phase 1 of this independent review process.

TSIC, on behalf of industry, needs to better understand what is being recommended as part of the proposal to eliminate Grandfathering.

TSIC supports the transition of grandfathered vessels to a set of minimal safety standards, such as fire suppression systems, RCDs and minimum safety equipment IF THERE IS EVIDENCE THAT THE CHANGE WILL IMPROVE SAFETY OUTCOMES.

TSIC would not support any proposal that would require a grandfathered vessel to have a stability booklet, as this would be difficult for many grandfathered vessels.

Any transition from grandfathering must be accompanied by a clear and transparent process for the transition.

Any transition from grandfathering must be financially supported by the Australian Government.