

30 January 2023

DCV Safety Review Panel

Attn: Secretariat

PO Box 594

Canberra ACT 2601

Via email: dcvsafetyreview@infrastructure.gov.au

Re: Independent Review of Domestic Commercial Vessel Safety costs and charging arrangements

Dear DCV Safety Review Panel

Thank you for the opportunity to comment on the draft interim Safety Report - Independent Review of Domestic Commercial Vessel Safety Legislation and Costs and Charging Arrangements – Phase 2. Our submission can be found as an attachment to this letter.

Tuna Australia is the industry association representing statutory fishing right holders, fishing companies, fish processors and sellers, and associate members of the Eastern and Western Tuna and Billfish fisheries of Australia (ETBF / WTBF). Our members catch more than 5000 tonnes of premium produce from Australian waters each year delivered to domestic and export markets. Our members operate vessels in the 18 – 24m size range, generally from the continental shelf break to the limits of the Australian EEZ. Several of our members have also historically operated in the high seas adjacent to Australia's EEZ.

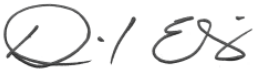
Tuna Australia is supportive of reviewing the way in which AMSA is funded and looking for opportunities to streamline and simplify how DCV operators are charged for AMSA services they consume. The consultation aid makes it clear that a risk based approach to costs and charging is the preferred way of structuring DCV operator fees, and this resonates well with our membership.

Thank you for the opportunity to consult on this important review process and we look forward to working collaboratively with legislators and regulators on mutually beneficial outcomes for our respective stakeholders.

Please call me if you would like to discuss any of these issues further



Yours sincerely

A handwritten signature in black ink, appearing to read "D. Ellis". The signature is written in a cursive style with a large initial "D" and a stylized "E".

Mr David Ellis
CEO

Attachment 1 – Tuna Australia submission to DCV safety review Phase 2 - costs and charging

Question 1: What is the nature of the costs that you (or your DCV sector) incur? This can include for example charges recovered by AMSA for fee-based activity, any relevant jurisdiction-specific fees and charges, accredited marine surveyor costs, etc and can include one-off and regular costs.

AMSA fees and costs associated with ensuring compliance with legislative requirements are two separate types of costs:

1. There is specific and significant AMSA costs for out of water survey incurred during periodic survey intervals. Total slipping costs can be as high as \$100K + depending on size of boat, slipping fees, marine surveyor fees, rectifying problems identified etc.
There is significant scope here for AMSA to recast the out of water survey process to reduce inspection costs borne by industry. This could include increasing the period between inspections, out of water survey not required for vessels less than a certain age or use type etc.
2. There are costs borne by the DCV owner in maintaining the required standard including new life jackets (annually), release mechanisms for life rafts (annually), medical kit management (annually), SMS management (monthly – quarterly), safety drills, safety PPE etc. This can easily be more than \$10K per boat per year.

The Panel should be aware that there are many hidden costs associated with commercial boat ownership and a significant lack of qualified professionals working in commercial marine support industries. This means that professional fees for these services continues to increase while availability to do the work continues to decrease. During 2022, Tuna Australia is aware of many fishing trips that were either delayed or abandoned due to a lack of qualified trade persons available to complete required work such as medical kit management. This is important to note that as fisher compliance with AMSA requirements can be affected due to this lack of labour supply and services.

Question 2: What are the considerations that you believe should be taken into account in determining whether full or partial recovery of the costs of the National System is appropriate, and to determine the level of cost recovery? Please provide examples to support/illustrate your response



The government guidelines on cost recovery are clear. There are functions of AMSA that should be funded by government, and some that could be recovered from industry through levies and fee for service arrangements. Tuna Australia supports partial cost recovery through fee for service, as over time there is more ability for DCV operators to reduce costs through their own actions.

AMSA should consider an "activity based" costing (ABC) methodology to ensure that full or partial cost recovery meets the principles of the Commonwealth government guidance on cost recovery. ABC assigns budget to line areas based on the type of activity, anticipated level of activity and number of FTE required to efficiently deliver that activity. ABC also assigns overhead and indirect costs to each line area to provide "the full picture" of costs for an activity. The allocation of line item budgets also focusses attention on those cost drivers that increase over time, so readily pinpointed during the budget review process. Activity based costing provides a sound basis for developing key performance indicators as the number of items produced (widgets, inspections, reports etc.) can be directly attributable (and measurable) to an activity and cost center.

The benefit of activity-based costing is that it highlights areas of government business that need resources, makes specific work groups accountable for smaller portions of the overall agency budget, and provides greater transparency to external stakeholders. The Australian Fisheries Management Authority (AFMA) budget is prepared using activity-based costing methodology and would form a good use case for understanding this concept further from a regulatory agency perspective.

Question 3: What funding approach or mix of approaches do you believe would best achieve secure and stable resourcing of the National System?

Regardless of what the final cost recovery system may look like, AMSA needs to be very explicit about its costs and charges and the rationale for applying cost recovery by activity item. There appears to be some services and functions performed by AMSA which could be performed by the private sector such as safety training, safety advice, risk management advice and SMS verification. AMSA would do well to decouple its budget from these activities to reduce pressure on internal resources and reduce overall management costs.

The current funding model is not broken. Our view is that there is some work required to better refine the three management levies to ensure that those functions are well resourced while only being charged to those DCV operators using AMSA infrastructure, or more than proportionally adding to the risks that the levies were set up to address.

The funding mix should ultimately be guided by the Commonwealth Guidelines on cost recovery. However, the current AMSA funding structure of government funds, recovery of management levies

and a fee for service component of the budget is no different to a lot of Commonwealth regulatory agencies.

Question 4: What are the aspects of a vessel or its operation that could form a suitable basis for levy-based cost recovery.

There are many ways for commercial vessels to be grouped together for the purpose of imposing levies or other user charges. AMSA have historically charged levies based on Net Registered Tonnage. This is a convenient approach but does not reflect or differentiate the actual risks which may apply to a large vessel compared to a small vessel.

A combination of vessel length, tonnage, use type, area of operation, crew number and compliance ranking* would be a more equitable way of applying levies. The first five characteristics are self-explanatory. The concept of "compliance ranking" could be applied to this levy model based on a boats inspection history, compliance with AMSA regulatory requirements, payment of fees, or any other combination of compliance measurables. This gears the AMSA budget to focus on high risk boats and reduce regulatory burden on compliant operators.

The three current AMSA levies imposed on industry (Marine Navigation Levy, Protection of the Sea Levy, Regulatory Functions Levy) do not necessarily reflect a fair and equitable way of collecting fees. For example, the Marine Navigation Levy is used to fund the provision of coastal marine aids for the navigation network. This levy collects a fee for any vessel using marine aids. The current approach is to levy **all** boats based on NRT. But what if a boat does not use the navigation network?

Tuna longline fishing by nature is nomadic and all fishing occurs outside designated shipping lanes, small regional ports unlikely to have extensive navigation guidance installed to assist port entry (certainly true for Mooloolaba and Ulladulla) and due to available technology, guidance systems (radar, autopilot, C-Plot, manual inputs) is the main navigation methods used by fishers. It could be argued that tuna fishermen are being unfairly levied for a network infrequently used. The same argument exists for inshore and coastal fishers who are unlikely to come across AMSA funded navigation aids in any water they fish.

Similarly, the rationale for applying a Protection of the Sea Levy - PotS (assumed to be a sinking fund to clean up maritime incidents?) is not sound. The Levy is applied on a sliding scale, with costs increasing based on increasing NRT and is charged to boats "that also carry ten or more tonnes of oil on board". The PotS levy charges the same rate per tonne, with larger boats paying more by virtue of a higher NRT. However, a large oil carrier spill would be exponentially more expensive to clean up than a small inshore vessel, in which case the rate should be increased proportionally for the largest and / or riskiest

vessel categories. Does the PotS levy adequately cover the worst case scenario costs through the current levy model?

AMSA also needs to be careful to ensure that it does not penalize user groups in its levy design for what it considers to be an inherently dangerous activity e.g. support vessel for dive fishing operating in close proximity to land in broken water and swell. While this activity on face value is dangerous, dozens of dive support boats operate in these types of water daily, and the risks are well understood and mitigated by operators. Careful analysis of incident statistics is recommended to fully understand the nature of the activity, and its historical safety record, before categorizing such activities as "high risk".

Question 5: Having regard to Finding 1 and Recommendation 1 of the draft Report, how could a potential levy be structured to better reflect the level of regulatory effort and resources directed towards sectors of the DCV industry differentiated on the basis of risk? Are there sectors, or part of sectors, that should be exempted from any future levy; if so why should they be exempt?

Anticipating the resources required to manage AMSA's business functions should be addressed through activity based costing. While AMSA does require a level of funding from government to support "public good" and administration functions of AMSA, there is scope to reward compliant DCV operators in other ways.

The levy system is a way for appropriating finances to service AMSA's functions not already supported by government. It is not the appropriate mechanism for rewarding compliant operators. Rewarding good behavior should be realised through reduced inspection rates and increased survey intervals because they are currently funded through fee for service. Reducing these potentially large bills, or the frequency in which they occur, is a significant reward for a small DCV operator.

Question 6: What are the industry subsectors most likely to be affected by the proposed winding back of grandfathering arrangements?

Winding back grandfathering arrangements would affect those least likely to be able to afford to upgrade their vessels to any new higher standard or replace the vessel, adding to the financial and mental health burdens already being experienced by the commercial fishing industry. We are unconvinced, **in the absence of evidence**, that removing old boats from an industry sector will improve safety outcomes, regardless of what industry sector the boat works in. This case has been prosecuted many times by fishing industry associations in submissions to this review and through the targeted forums being held around the country.

In the case of the Tuna Australia member fleet, around 20% are currently grandfathered vessels or Regulated Australian Vessels (RAV). Each of these vessels is maintained to the highest order and visually you would have absolutely no doubt as to their structural integrity, seaworthiness, and maintenance regime. Current steel vessels in the fleet are worth around \$1 – 1.5m each on the second hand market. This is nowhere near the current new replacement cost for a like vessel, which is closer to \$4-5m to build in Australia. The ultimate boat for this fishery (-60° factory freezer longliner) is closer to \$15-20m to build.

Grandfathering would discourage new entrants wishing to work in some fisheries as the startup cost of purchasing a new or near new vessel purchase would make access to the fishery beyond reach. Historically, new entrants to the fishery start with a second hand boat and over time work themselves into a position to upgrade or build new. This avenue for new entrants would no longer exist if grandfathering arrangements were wound back.

Similarly, the removal of grandfathering arrangements for skipper and crew competencies will mean that many experienced skippers will be lost to maritime industries if they are required to significantly upskill or achieve new qualifications. This is a significant concern for the tuna longline industry, with most current skippers entering retirement age and no new skippers entering the fishery. In the short term, this may be countered by importing foreign skippers or adding a fishing master role to the boat to assist any new skipper; both options are expensive.

Question 7: What is the nature of the impacts that these subsectors are likely to experience? For example, survey costs, costs of upgrades to vessels, costs of upgrading crew competencies, difficulties finding crew with requisite competencies, etc.

It is difficult to understand the nature of impacts and likely costs because each boat is different and will have a unique set of reasons why it won't meet a higher standard. Similarly, without knowing current and future crew competency requirements, it is difficult to gauge the level of upskilling and sea time required. The list above is a starting point to understand the nature of impacts. You could add cost of safety PPE, consumables and training, costs of slipping to facilitate survey, off site training for crew competencies, increased administration, advertising and onboarding costs for new crew, new berthing arrangements for some boats etc.

Our view is that phased withdrawal of grandfathering arrangements will be the final straw for many fishers. This decision would have far reaching implications for many maritime industries. Some commercial fishers and fisheries will not recover, and this will have downstream impacts on family businesses, fisheries science, supply chains, ancillary services and in some cases loss of regional prosperity and loss of character and employment for some small coastal towns.

Question 8: *What form/s of targeted support do you consider would be effective in assisting the DCV fleet impacted by the phased withdrawal of grandfathering arrangements?*

Tuna Australia is very concerned with phased withdrawal of grandfathering arrangements. Discussions have focused on subsidies to replace old vessels, which are likely to place the Australian tuna longline fleets in a vulnerable position with Regional Fisheries Management Organisations (RFMO's), third party fishery certifiers and the Food and Agricultural Organisation (FAO) of the United Nations. This is due to 'subsidies' being associated with overfishing.

To circumvent "subsidies" somewhat, and the ensuing unintended consequences on the tuna longline sector, effective assistance could take the form of:

1. A buyout – allows people to exit maritime industries with dignity and a fair price for their asset. The government can then dispose of the aged asset at their convenience, hence removing older, unwanted boats from the water.
2. Reskilling / retraining – for people exiting maritime industries due to buyout, government should consider a package consisting of formal training, job placement services, a basic living wage and mental health support while they transition to new industries.
3. Boat repair credits – where a decision has been made to upgrade the vessel, the government establishes a tender for preferred suppliers in relevant businesses and trades which can make required improvements to boats and direct bill the government for those services. It could be argued that this support is not a subsidy as it is not increasing the capacity of fishing fleets but improving current boat safety standards to ensure the vessel is fit for sea duties.
4. Boat building credits – as per the boat repair credits in point 3 above. For the same reasons, this process is not increasing the capacity of fishing fleets, just replacing an aging fleet with new vessels.

This would be a delicate and extremely difficult undertaking. This process would lead to significant mental anguish for many people whose lives revolve around their boats and fishing businesses. It cannot be overemphasized enough that the decision to phase out grandfathering will have a massive human impact. First and foremost, the government has a moral obligation to ensure a wide safety net for those who will lose their boat through this process.

Question 9: *What are the relevant economic impacts and/or costs or resourcing implications (positive or negative) of any of the recommendations in the draft Report that the Panel should consider?*

Tuna Australia considers that the recommendation to government to conduct a phased withdrawal of grandfathering is ill conceived.

Using the Tuna Australia fleet for example, the like for like replacement cost for 32 longline vessels is around \$320 million. Knowing that 20% (six boats) of the Tuna Australia fleet would be subject to grandfathering, this sum is reduced to \$64 million. Assuming a grandfathering rate of 20% for all Commonwealth fisheries (~300 boats), this would mean replacement of 60 boats at a cost of up to \$600 million. When this rationale is applied to every boat in Australia that is registered to AMSA, the total bill would amount to billions and billions of dollars.