



Government of Australia
Productivity Commission

9th January 2012

Attention: Carole Gardner

Re: Productivity Commission inquiry into the Export Finance and Insurance Corporation

Marine Western Australia Inc is a not for profit Industry Association representing all major shipbuilders as well as many marine equipment and service providers and other industry stakeholder members in Western Australia. Marine W.A. was originally formed in 2007 (then known as Superyacht Base WA Inc). In 2010 the association changed its name to Marine WA and included the members of the WA Shipbuilders Association which had itself been in existence since 1994.

As Western Australia's peak marine industry body, Marine W.A. welcomes the opportunity to provide a submission to this inquiry and would also welcome any additional requests for information by the Commission to support this submission and / or provide references and contacts in additional support.

The shipbuilding and marine industry in general is well aware of the current level of support EFIC provides in security for commercial finance and insurance for the sector as well as other services which support Australian SME's towards their ability to gain business.

However, there are a number of large forces working against our marine industry's global competitiveness and ongoing viability including but not limited to the Global financial crisis, European Financial crisis, high Australian dollar, ongoing lack of Federal and State Government investment in marine industry infrastructure and challenges of ship building subsidies or protectionism that foreign countries provide their own marine industries. These all add to the difficulties in competing with and innovating ahead of overseas companies. As such, Australian shipbuilders are looking to or have already begun to manufacture offshore.

Western Australia has in particular become renowned as innovators of marine design and as specialists in construction of aluminium high performance vessels, both commercial and luxury. A study completed by the Department of Commerce released in 2010 assessed the value of shipbuilding in Western Australia at AUD\$1.5 billion. At the time of this study the employment figures were estimated at over 5000 people. Since the study, Western Australian shipbuilding and these employment figures have been in decline due to above mentioned issues.

The Australian Government's 'shipbuilding bounty' which ceased in 2000, was a small incentive to shipbuilding but was discontinued due to an international trade agreement. The trade agreement was to be agreed to and signed by all participating countries but all signatories have not yet done so, further adding to the Australian marine industry's weakened competitive position. Part of this agreement was that Australian shipbuilding was not given any trading advantages or subsidies.

The problem is that Australia has stopped supporting its shipbuilders and other countries including China, Korea, some European countries and the USA have not. For example, you cannot build commercial or internationally registered vessels in Australia and export them to America due to the U.S. 'Jones Act'. This is a market protection mechanism the U.S. enforces for the good of their own marine industry which our own Government does not.

Some countries have stopped providing subsidies similar to the 'bounty' but still provide land, infrastructure, tax incentives, favourable finance terms and other benefits like Aid to foreign countries if they buy from the Aid provider and so support their industries. If nothing else, the Australian Government should at least make Australian SME's able to compete armed with competitive finance offerings and other business elements necessary. This is widely supported by other submissions to this study

We have a capability here in Western Australia and perhaps in other parts of Australia to build highly sophisticated vessels for many uses including Defence, Customs, offshore resources support, fishing vessels and internationally recognised quality motor yachts and sailing yachts. Marine W.A. can demonstrate these skills and technology if the commission requires this information and can also assure the commission that if the technology and skill base was not in existence, there would currently be no ship or sophisticated boat building currently in Australia.

The question is how long can our marine industry last if the above mentioned issues are not addressed? At the time of writing Austal, Evolution Yachts, Strategic Marine and Thornycroft have all moved to manufacturing offshore. If nothing is done to support our marine industry, this trend will continue and the great cluster of skills here in the Australian Marine Complex, south of Fremantle will cease to exist similar to the industry's current demise occurring on the east coast of Australia. Australian jobs, technology and skills will be lost abroad to the benefit of other countries and detriment of ours if Australian companies must continue to pursue offshore manufacturing to keep existing / win further contracts.

As a large remote island nation that can not rely forever on the mining, oil and gas industries for jobs and export revenue, Australia must maintain a viable marine industry. Marine W.A. assert this is not only an important matter of national commerce and trade but also a matter of avoiding design specialists and specially skilled marine tradesmen / master craftsmen going abroad as well a matter of retaining specialist design and shipbuilding / repair capabilities for our national Defence and Border Protection requirements.

For Australia's marine manufacturing and support industry to continue to exist to any worthwhile degree, the Federal Government, via EFIC and other important supporting departments, must take seriously the current reality then create, provide and actively market very real and attractive incentives for Buyers to choose to manufacture or service and repair their Vessels in Australia. Marine W.A. believe EFIC can contribute significantly more to the marine industry by offering essential internationally competitive financing options which preferably better but at least equal international finance available to Buyers abroad. This is something which currently the commercial banking sector in Australia is reluctant to do that Marine W.A. urge EFIC to step in and make good.

It is also important that EFIC's current risk assessment process be reviewed and amended to create a fair and level playing field. As Marine W.A. understand it, EFIC's risk assessment currently has favourable bias to ship building projects destined for commercial vessel Buyers / Operators over luxury motor yacht Buyers / Operators. This places businesses building luxury motor yachts at further disadvantage in retaining existing clients and attracting new clientele. As it currently stands, some of the largest and most successful projects recently completed or due to be delivered are luxury vessels with qualified wealthy Buyers who have more of a proven capability to continue to afford such builds in stark contrast to commercial Buyers / Operators who cannot or will not.

Compared to the small volume of commercial vessels being built locally at present, there has been two 74 metre internationally award winning luxury motor yachts delivered in recent years, a 40 metre and a 77m luxury motor yacht nearing completion, another 77 metre luxury yacht is under construction with a 100 metre luxury yacht on the drawing board – build subject to favourable incentives and terms for the Buyer. We are writing about today's reality and not just historical issues. What needs to be understood is that for every major project undertaken, aside from the direct employment offered by the builder, there is a huge positive flow-on effect to smaller local firms, contractors and the broader community which needs to be understood, valued, and retained before it is too late.

Albeit irrelevant to this enquiry, The Australian Government, through Austrade, Tourism Australia and other Federal and State Government Departments, could do much more to promote Australian SME's. Improving and increasing infrastructure, sponsoring trade shows, increasing literature and advertisement abroad with distribution through Australia's Foreign Trade offices and other such initiatives are just some of the options which would complement EFIC reducing the cost of finance to be more of an incentive to Buyers, simplifying applications, and broadening the services offered.

It is extremely important to remember the number of highly skilled people employed in the marine industry across Australia as a value added manufacturing industry. On the basis of 5,000 employed in Western Australia and assuming the population of WA is 10% of the whole country, then potentially there could be 50,000 employed across Australia whose jobs and families we must support. I'm sure this compares well with the numbers employed in resources sector. The difference is that the marine industry is an ongoing and renewable industry, not a finite or exhaustible industry.

One final request is for the Australian Government to tie together all forms of support including Ausaid, EFIC, Austrade, Defence and Tourism so they operate in unison and make maximum advantage of the generous gifting and services this country offers internationally and this will assist in some small way to support local Australian industry.

Yours sincerely

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