

Shipping Australia Limited
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**Productivity Commission inquiry into
“Contribution of the Not-for-Profit Sector”**

Shipping Australia is pleased to have the opportunity to make a submission regarding this inquiry.

Shipping Australia is a peak shipowner body representing 41 shipping lines and member agents as set out below which would be involved with the carriage of 80 per cent of Australia’s international container trade, car trade and passenger cruise vessels as well as over 50 per cent of Australia’s international break bulk and bulk trade. There are a similar number of corporate associate members that provide services to the maritime industry in Australia.

AAL Shipping
ANL Container Line Pty Ltd
APL Lines (Australia)
Asiaworld Shipping Services Pty Ltd
Carnival Australia
CMA CGM
Evergreen Marine Australia Pty Ltd
Five Star Shipping & Agency Co Pty Ltd
Goodman Fielder
Gulf Agency Company (Australia) Pty Ltd
Hamburg Sud Australia Pty Ltd
Hapag-Lloyd (Australia) Pty Ltd
Hetherington Kingsbury Shipping Agency
Inchcape Shipping Services
Indian Ocean Shipping Agencies
John Swire & Sons Pty Ltd

“K” Line (Australia) Pty Limited
LBH Australia Pty Ltd
Maersk Australia Pty Ltd
McArthur Shipping & Agency Company
Mediterranean Shipping Company (Aust) Pty Limited
MISC Agencies (Australia) Pty Ltd
Mitsui OSK Lines (Australia) Pty Ltd
NYK Line (Australia) Pty Ltd
OOCL (Australia) Pty Ltd
Pacific Asia Express Pty Ltd
PB Towage
RCL (Australia) Pty Ltd
Royal Caribbean Cruise Lines
Seaway Agencies Pty Ltd
Sino-Global Shipping Australia Pty Ltd
Svitzer Australia Pty Ltd
Wallenius Wilhelmsen Logistics
Wilhelmsen Ships Service
Zim Integrated Shipping Services Ltd

Contributing members

China Shipping Container Liner Co. Ltd
Hanjin Shipping
Hyundai Merchant Marine
Neptune Shipping Line Pty Ltd
PT Djakarta Lloyd (Persero)
Pacific Forum Line (NZ) Ltd

Shipping Australia Limited (SAL) is a small company limited by Members guarantee offering secretariat services to its Members and is a Not-For-Profit entity (NFP). The company has a registered constitution and operates with 8 Directors, Chief Executive Officer and a Company Accountant. The Directors meet every three (3) months and hold an Annual General Meeting each year. Audited accounts are lodged annually with ASIC.

The company was formed on 6 June 2001 following an amalgamation of Liner Shipping Services (a company limited by Members guarantee and providing secretariat services to shipping lines who were parties to agreements registered under Part X of the Australian Trade Practices Act. (Cth) 1974), and the Australian Chamber of Shipping (a company limited by Members guarantee offering secretariat services to its Members from the shipping industry). For further details please refer to our website www.shippingaustralia.com.au.

SAL company employs 11 individuals 5 of which are part time. The annual turnover of the company is approx. \$2 Million. With the exception of some bank interest, the significant and major sources of revenue are members' funds, paid by way of subscription and association fees.

Shipping Australia's annual income relates to approx. 50% from Members fees and 50% from fees paid to SAL for the provision of secretariat services provided to shipping lines. With the exception of bank interest and a small amount of commission all funds received are Members funds. The company is not registered on the stock exchange nor are there any borrowed funds. All monies budgeted for are collected from Members and applied to the day-today operation of the company.

The company employs a qualified Accountant a member of the National Institute of Accountants and designated FPNA. He prepares monthly management accounts which are tabled at Directors meetings held every three (3) months. Additionally, the Accountant prepares audited end of year financial reports which are tabled at the Annual General Meeting for Members acceptance prior to lodgement with ASIC.

Under the company's constitution wind-up, all remaining funds must be either transferred to a like organisation or donated to charity.

Audit requirements

Shipping Australia Ltd recently applied to the Australian Securities & Investments Commission (ASIC) for audit relief under Part 2M of the Corporations Act 2001 (Act) which was refused by ASIC on the grounds that:-

“The administrative cost of preparing and lodging financial reports or complying with a particular requirement (including paying for expert assistance) would rarely of itself be an unreasonable burden”.

ASIC also noted that *“SAL does have creditors and may have potential creditors, believing that there may be benefit to these parties in the availability of financial statements which are audited and therefore ASIC does not believe that the cost of an audit is out of proportion to the expected benefits resulting from an audit”.*

Shipping Australia requests that the Commission examine audit requirements for NFP entities that comply with Australian Accounting standards and have a turnover of less than \$10 Million. The costs of complying with audit requirements are an unreasonable cost burden, as these costs are out of all proportion to the expected benefits resulting from an audit because the expected benefits are minimal.

There are no persons outside the Company who rely on the audit report and the only benefit would be to Members. There are no shareholders only creditors and potential creditors. The liability current ratio is 61% - excluding intangible assets and has remained constant since incorporation.

Perhaps as a suggestion, an audit having to be carried out say every (3) years would assist in reducing this cost burden.

Shipping Australia is a 'small' company and is not controlled by a foreign company, it holds no assets of a major nature that sale would result in achieving \$10 Million in consolidated gross operating revenue.

Compliance with *the Act* places an ‘unreasonable’ financial burden on the company due to the increased audit requirements placed on the company under the recently introduced Australian equivalent to the International Financial Review Standards (IFRS) The new financial reporting regime does not differentiate between small and medium-sized entities (SMEs) and large public entities for financial reporting and auditing requirements and this does place an unwarranted financial burden on Not-for-profit - SMEs.

Fringe Benefits Tax

Shipping Australia also requests that the Commission review the Fringe Benefits Tax Assessment Act 1986 (FBTAA 1986) to provide an FBT rebate for organisations such as Shipping Australia as Shipping Australia only receives mutual income which is not liable to income tax and it cannot claim fringe benefits provided to employees as a deductible expense.

Section 65J of the FBTAA provides a 48 per cent rebate of FBT (up to a capped amount) to certain not-for-profits bodies. However, the rebate is not available to all not-for-profit organisations.

Under the FBTAA - Rebatable employers are entitled to have their liability reduced by a rebate equal to 48% of the gross FBT payable (subject to a \$30,000 capping threshold).

*Rebatable employers are certain non-government, non-profit organisations.
Organisations that qualify for the FBT rebate include:*

- *certain religious, educational, charitable, scientific or public educational institutions*
- *trade unions and employer associations*
- *non-profit organisations established to encourage music, art, literature or science*
- *non-profit organisations established to encourage or promote a game, sport or animal races*
- *non-profit organisations established for community service purposes*
- *non-profit organisations established to promote the development of aviation or tourism*
- *non-profit organisations established to promote the development of Australian information and communications technology resources, and*
- *non-profit organisations established to promote the development of the agricultural, pastoral, horticultural, viticultural, aquacultural, fishing, manufacturing or industrial resources of Australia*

Clearly Shipping Australia fails to meet the definition of “Rebatable employer”. Therefore, we request that the Commission review the above with a view to including Not-for-Profit companies that operate to the benefit of its Members, such as Shipping Australia be included in the above definition, especially those organisations such as SAL that contribute to the growth and facilitation of Australia’s overseas trading efforts.

SAL supports the recommendations from the Senate Inquiry into disclosure regimes for charities and not for profit organisation – Table C2

In particular items:

- 8 *‘that the Henry Review includes an examination of taxation measures affecting Not-For-Profit Organisations with a view to simplifying these arrangements and reducing confusion and cost compliance for these organisations’.*
- 12 *“that the committee recommends that the Commonwealth Government work with the Sector to implement a standard chart of accounts for use by all departments and Not-For-Profit Organisations as a priority”.*
- 24 *“that the Commonwealth government should provide funds to the Australian Accounting Standards Board and the Public Sector Accounting Standards Board to develop within two years suitable accounting standards for Community Social Welfare Organisations”.*

Recommendations

1. Shipping Australia recommends the Commission review the onerous requirements placed on the company by ASIC to have accounts of SME’s with member based income of under \$10 Million and meeting the Corporations Act 2001 requirements to be audited.
2. Review the FBTAA rebate to include Shipping Australia as a “Rebatable employer” thereby enabling its liability to be reduced by a rebate equal to 48% of the gross FBT payable.

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