

Rebuilding the

Australian Merchant Navy

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At a glance ...

- Australia's once strong merchant navy has been reduced to a few specialist ships and can no longer service Australia's coastal trade or the bulk of its exports and imports, let alone provide logistic support to the Australian Defence Force.
- An urgent need to rebuild the merchant fleet is emerging, however, driven by economic, trade security, exclusive economic zone, national security, border protection and defence imperatives.
- Several small nations (eg. Norway, population under 5 million but with 1400 ships) successfully operate large merchant fleets, so it should be possible for Australia to do so again.
- The Commonwealth government, however, would need to lead the rebuilding of the merchant navy by first adopting appropriate policy settings and then investing to catalyse the development of the fleet.
- Two development options are discussed: a large merchant fleet designed to service the bulk of Australia's 600 million tonne annual maritime exports and imports, with defence needs as a secondary role; and, a small merchant fleet focused on defence needs.
- The Commonwealth government should invest in this second option as a first step towards rebuilding the Australian merchant navy.

Current maritime context

As Australia enters the 21st century, there is renewed interest in, and concern for, the world's oceans and a burgeoning of international maritime trade. The 1982 United Nations Convention on the Law of the Sea enshrined both the principles of a global approach to ocean problems and rights to ocean resources. Fish stocks, however, continue to be over-exploited to the point of collapse; and pollution of marine environments by land-based activities, vessels (including oil spills) and human-induced environmental phenomena (such as 'Asian haze' air pollution and 'red tide' algal blooms), threatens the marine ecosystem and resource sustainability. Concurrently, improved prospects are emerging for harvesting marine non-living resources, such as oil, natural gas, methane and polymetallic sulfides (copper, zinc, iron, gold and silver), including deep seabed resources now under the control of the International Seabed Authority. Indeed, the deep oceans remain largely uncharted territory, but are known to

contain rich pockets of biodiversity rivalling that found in tropical rainforests and to play a key role in regulating the global carbon cycle (they sequester carbon at the surface and store it at depth) and the associated 'greenhouse effect'. Concerted action is needed by governments to give statutory effect to the principles of ecosystem health and sustainability so as to protect, maintain and restore the integrity, resilience and productivity of the oceans.

Against this background, the RAN Sea Power Centre recently issued a timely reminder that Australia is a maritime nation located in one of the most complex open ocean, littoral and archipelagic maritime regions of the world. Australia's exclusive economic zone and continental shelf cover an area of 16 million square kilometres, including tropical, temperate and Antarctic waters and the biophysical resources they contain. Australia is responsible for the second largest maritime zone in the world, including for search and rescue and the guidance of allied shipping in time of crisis.

Even more to the point, the Australian economy is absolutely dependent on shipping. Of our international trade, about 99 per cent by bulk and 73.5 per cent by value is carried by ship, with about 95 per cent of that carried in foreign-flagged vessels. Furthermore, all trade that goes by air, must fly over the sea. It follows that protection of our maritime zone and sea lines of communication are essential to prevent our trade being interdicted and Australia becoming virtually isolated. An adversary could also target tourism, employment and resources, such as offshore oil and gas installations. The maritime nature of the Australian environment also makes it essential that Australia be able to conduct effective and successful maritime operations in support of its military strategy, especially within its region.

In 2003, Captain Alan Pearson, Master Mariner, examined the economic and military value of a merchant navy for Australia. He found that globalisation and the use of open registers (flags of convenience) in recent years have changed the face of merchant shipping worldwide. In Australia, this trend has been reinforced by: the lack of a national shipping policy; the use now of single-voyage permits for coastal trade; and the Commonwealth government's 1996 withdrawal of fiscal support (capital grants, accelerated depreciation etc.). As a result, Australian shipping has all but disappeared and the Australian coastal trade has become dominated by foreign-owned ships. Australian traders, however, have benefited in that they can now select the most economic form of maritime transport yielding the lowest freight rate. Alternatively, Australian exporters can sell their goods free-on-board (FOB), leaving it up to the consignee to provide the shipping.

Nevertheless, Pearson observed that, while Australia, on a strictly commercial basis, may not now need a merchant navy, there appears to be a strong case for one in broader national interest terms, particularly in support of our national security and defence interests. He instanced the political instability in countries to our north and the potential need for merchant shipping to logistically support naval and military deployments in the region, pointing to the Falklands War of 1982 and the East Timor conflict of 1999–2000 as recent examples of the vital role that can be played by ships taken up from trade (STUFT). The United Kingdom and Australia, respectively, would not have been able to undertake those operations had they been unable to immediately requisition the ships needed to provide logistic support from their respective merchant marines. Pearson, however, concluded that, while Australia's maritime doctrine recognises the importance of being able to take up ships from trade in an emergency, 'the hard reality must be faced that Australia's merchant fleet is now largely non-existent'. A change in government policy regarding matters such as taxation,

depreciation, and investment inducements, coupled with increased flexibility in manning, will be needed before there is likely to be a return of shipping to the Australian Register.

An independent review of Australian shipping commissioned by the Australian Shipowners' Association and undertaken by the Hon. John Sharp and the Hon. Peter Morris, former Ministers for Transport in Liberal and Labor Commonwealth governments respectively, was published in September 2003. This review also drew attention to the parlous state of Australia's merchant navy. Despite continuing growth in the Australian seaborne trade, the role of Australian-flagged shipping in servicing Australia's imports and exports continues to diminish—it declined by 5.5 per cent between 2001–02 and 2002–03. The market share achieved by Australian-flagged shipping is now only 1.4 per cent. Thus, the transport revenue from Australia's 564.6 million tonnes of exports and imports is almost entirely lost to Australia's national accounts. In June 2002, there were 54 Australian-flagged vessels, a reduction of 24 over a decade; and the average age of the Australian fleet was 15 years. The review made 12 key recommendations to redress the unsatisfactory situation.

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Sharp and Morris noted an apparent inconsistency between the Commonwealth government's policy for coastal shipping (ie. to obtain the cheapest priced shipping services by accessing foreign ships and crews) and its policy of border protection. The United States Government, in contrast, is limiting access to its coastline to vessels and crews from nations regarded as having a high degree of security. Thus, Australia's dependence on lowest-cost foreign shipping with foreign crews not only increases the risk to our own borders, but also risks the loss of access to United States markets.

Sharp and Morris also noted that there may well be a military requirement for an Australian merchant shipping capacity. Shipping industry advice to the inquiry, however, was that the Department of Defence had made no overtures to the industry in connection with Australia's merchant navy capacity. Thus, while the industry accepts that it should support a Defence requirement in a defence emergency, in the absence of any discernible interest from government in this regard, it is not an issue that influences the industry's investment behaviour.

Part of the explanation for this may lie in the 2002 observation by Dr Michael Evans, of the Australian Army's Land Warfare Studies Centre, that a schism developed in the 1980s between Australia's defence policy on the one hand, with its post-Vietnam focus on the direct defence of Australia, and its foreign and trade policy on the other, with its emphasis on enmeshment with Asia, later broadened by globalisation and the end of the Cold War. Australia needs to overcome this continental-maritime divide at the heart of its strategic

culture; reconcile the conundrum of European culture and Asian geography (liminality); and forge a national security policy that re-links diplomacy and defence—one that is simultaneously globally attuned, regionally focused and alliance oriented.

The need for an Australian merchant navy

Within this context, there are many considerations driving a need to rebuild the Australian merchant navy. Principal among them are: economic and trade security imperatives; the need to protect, conserve and sustainably utilise Australia's exclusive economic zone; and national security, border protection and defence imperatives.

Economic and trade security imperatives

Australia's maritime exports and imports were 541 million tonnes and 62 million tonnes, respectively, in 2002–03. Imports and exports now exceed 600 million tonnes of cargo per annum with the freight charges paid to international shipowners now estimated to exceed \$US10 billion per annum. Freight charters of large bulkers, which cost less than \$US20,000 daily in 2002, cost almost \$US100,000 daily in some trades in 2003–04. With the addition of high insurance costs, there are both economic and trade security imperatives for the rebuilding of the Australian merchant navy.

Without a substantial merchant marine capability of its own, Australia is effectively at the mercy of international mercantile marine cartels. This situation makes us vulnerable to disruption of trade, either by refusing service or by setting unacceptably high prices. Australia is also paying overseas interests to transport its freight and denying itself the opportunity to accumulate this revenue within the national accounts. This is already a major cost to the national economy and it is likely to increase and compound annually along with the predicted increase in maritime trade globally.

Exclusive economic zone imperatives

The United Nations Convention on the Law of the Sea 1982 (UNCLOS) allows coastal states to claim territorial seas (which extend 12 nautical miles from the coastal baseline), a 200 nautical mile exclusive economic zone (EEZ), and a legally defined continental shelf. On ratifying the UNCLOS Treaty, Australia took responsibility for one of the largest marine areas in the world: some 11 million square kilometres, and potentially as much as 16 million square kilometres, depending on the limits of claimable continental shelf that extends beyond the 200 nautical mile EEZ. The Australian Government now puts the total area claimable

under UNCLOS at some 16 million square kilometres.

This zone includes tropical, temperate and Antarctic waters, rich in biodiversity and abiotic resources such as oil, natural gas and minerals. It will constitute essentially a new frontier of exploration, scientific research, management and utilisation in the 21st Century. To protect, conserve, sustainably manage and develop this vast resource will require a merchant marine involvement, much of it involving specialist vessels, on a scale not witnessed heretofore. There is a major opportunity here for Australia to harness its innovative talent and to lead the design, construction and operation of the state-of-the-art ships that will be needed to support management of the EEZ.

National security and border protection imperatives

The 21st century has brought with it renewed concerns about international terrorism and border security. Our ports are particularly vulnerable to terrorist attack and serve as points of entry for illegal cargoes and persons, as the International Ship and Port Facility Code, which is designed to provide a base-level of protection, is easily rendered ineffective by so-minded individuals.

Indeed, as Michael Richardson of the Institute of Southeast Asian Studies in Singapore, recently reported, while the international maritime trading system is the backbone of the modern global economy, the vast global shipping industry (more than 46,000 ships; 2,800 ports; 1.2 million seafarers; numerous port workers) is poorly regulated and is often secretive in its operations, to the extent of concealing the real owners of ships. Al-Qa'eda has publicly stated its desire to disrupt the international maritime trading system and could readily infiltrate the ranks of seafarers, most of whom are sourced from Asia, Eastern Europe and Russia. Many large modern ships are highly automated and can be operated by small crews (less than 20 officers and crew), so it would only take a small number of well-trained terrorists to seize command of a big ship.

The uniform steel containers in which most general cargo is now transported are a security nightmare. Once loaded and sealed, inspection is a problem. The contents of a container can be misrepresented and undeclared items hidden inside with relative ease. This is a made-to-order method of transport for terrorists—just as it is for drug and other contraband smugglers. Some 15 million containers are in circulation and over 230 million move through the world's ports each year. Worldwide, less than one per cent of shipped cargo is screened (five per cent in the United States).

Against this background, the current Australian practice of accessing foreign ships and crews so as to obtain the cheapest-priced shipping services, would appear to constitute a serious threat to national security and to be false economy. In the broader national interest, it would seem to be imperative that ships and crews entering

Australia's coastal waters, and especially its ports, be limited to those from nations known to have a high degree of security. The United States has already adopted such a policy. Implementation of such a policy by Australia would inevitably necessitate rebuilding the Australian merchant navy so as to ensure that adequate vessels of an acceptable security standard were available to carry our maritime trade.

Defence imperatives

During the 20th century, Australia repeatedly needed to draw on its merchant navy to logistically support its defence efforts. During the Boer War, and again in World Wars I and II, Australia drew extensively on its merchant navy.

During the Vietnam War from 1965–1972 the troop transport, HMAS *Sydney* made 22 voyages transporting 15,600 soldiers together with materiel, ammunition and equipment to and from South Vietnam. Two further vessels were taken up from trade: MV *Boonaroo*, a 3,904-ton coastal cargo ship of the Australian National Line, which made two voyages to Vietnam with military cargo in 1966 and 1967; and MV *Jeparit*, a 6341-ton coastal cargo ship also of the Australian National Line, which made 42 voyages to Vietnam with military cargo, including ammunition, equipment and supplies, from 1966 to 1972, and a 43rd voyage with civil aid cargo in 1972. Military supplies and civil aid cargoes carried to Vietnam in *Jeparit*'s 43 voyages totalled 173,820 tons.

Just prior to her second voyage in March 1967, members of the Seamen's Union refused to sail *Boonaroo* to Vietnam, citing as the principal reason the increased cargo of Air Force ordnance. *Boonaroo* was immediately commissioned into the Royal Australian Navy and all her crew, with the exception of two engineer officers with naval reserve commissions, were replaced by Royal Australian Navy officers and sailors. In March 1967, Seaman's Union members also refused to man *Jeparit*, but members of other maritime unions remained on board, so the 18 members of the Seamen's Union were replaced by one officer and 17 ratings of the Royal Australian Navy. Subsequently, as a consequence of the refusal of Sydney Waterside Workers to work *Jeparit* in December 1969, *Jeparit* was commissioned into the Royal Australian Navy. The ship's master, Captain A.A.C. Philip, was commissioned as a commander in the Royal Australian Naval Volunteer Reserve. The Naval detachment remained on board along with 19 civilian crew. The ship, henceforth, was loaded and unloaded by Service personnel.

More recently, HMAS *Jervis Bay*, a fast catamaran, was leased and crewed by the Navy for the East Timor conflict (1999–2000) and played a vital role in troop deployment and logistic re-supply of our forces. Additionally, heavy equipment was carried in seven merchant vessels which were taken up from trade (three Danish-owned self-discharging general cargo ships (MV *Arktis Atlantic*, 9000 tonnes; MV *Baltimar Satin*, 9000 tonnes; MV *Svendborg*

Guardian, 7500 tonnes); two Perkin barges (similar to a landing craft, mechanised—LCM8) obtained in Darwin; and two ocean-going tugs obtained in Western Australia. New Zealand also took up a Dutch general cargo ship from trade for the operation, the MV *Edam Gracht*. The availability of such vessels in future is uncertain at best.

Similarly, in the Falklands War in 1982, the Royal Navy took some 50 ships up from trade, including: three liners (*Canberra*, *Queen Elizabeth II*, *Uganda*); four passenger/general cargo ships; 15 container and general cargo ships; 15 tankers; five deep-sea trawlers (operated as Royal Navy mine counter-measures vessels); four offshore support vessels; three tugs; and one cable ship. This was in addition to 22 Royal Fleet Auxiliary ships (6 logistic landing ships, 10 fleet and support tankers, 5 supply ships, and one helicopter support ship) and two Royal Maritime Auxiliary Service ships (one heavy-lift salvage ship and one long-range salvage tug).

The RAN's capstone doctrine manual, *Australian Maritime Doctrine, 2000*, notes: 'Support capabilities can be improved by taking merchant ships up from trade and converting them to the extent required by the operation. These vessels cannot replicate the capabilities of built-for-the-purpose replenishment units, but they can play a vital role in maximising the capacity of the latter by acting as resupply units between shore bases and the operational area. If vessels are to be taken up from trade, then mechanisms need to exist for their identification within the national register and charter or requisitioning. In these circumstances, the possession of a substantial national flag merchant fleet can be an important strategic advantage. Merchant vessels can also be employed to provide sea lift for the movement of land forces and their logistic support. Nations with smaller merchant fleets may be forced to purchase or charter ships for these purposes from overseas sources, an expedient that can be difficult to achieve in emergencies'.

Sharp and Morris concluded, therefore, that it is puzzling that Defence has not encouraged Australian investment in the shipping industry and is increasingly outsourcing traditional tasks that require maritime skills and expertise, such as ship provedoring, port management, crew training and through-life vessel support services.

The Joint Standing Committee on Foreign Affairs, Defence and Trade of the Commonwealth Parliament recommended in June 2004 that the government, as a matter of urgency, should respond to the measures proposed by Sharp and Morris. It should state whether or not it intends to introduce an Australian shipping policy and outline the role of merchant shipping and its support for defence objectives.

Small nations with large merchant fleets

Having established the need to rebuild the Australian merchant navy and before considering how this might be done, it should be noted that several small nations have large merchant fleets (Table 1).

Country	Population (million)	Tankers carriers	Bulk ships	Container cargo	General ships	Passenger	Total
Greece	10	787	1336	136	765	201	3225
Norway	5	479	177	23	571	123	1373
Singapore	4	321	91	127	155	6	700
Denmark	5	168	43	94	286	31	622
Hong Kong	7	120	239	60	118	13	550
Taiwan	22	34	148	197	126	3	508
Sweden	9	134	11	1	169	29	344
Saudi Arabia	15	71	1	5	25	7	109

Table 1: Small nations that control large merchant fleets. Data in each category, except population, are the number of ships over 1,000 Gross Registered Tons
(Data obtained from ISL 2003).

The experience of Norway is particularly instructive. Norway is one of the world's four largest shipping nations, yet it has a population of only 4.5 million, who enjoy a high standard of living (gross domestic product per head \$US36,000 cf. Australia \$US20,340). It has a full suite of maritime industries, including shipowners; shipyards; maritime research; design and engineering; a ship classification society; and specialised marine brokers, banks, law firms, insurers and underwriters. Its ship-owning and operating companies operate some 1400 vessels, which total 48 million deadweight tons, 75 per cent of which fly the Norwegian flag, while many have largely foreign crews. The Norwegian controlled fleet represents approximately 10 per cent of the world's total merchant fleet and is strongly represented in certain trades that require relatively complex, specialised vessels. For example, Norwegian companies control approximately:

- 23 per cent of the world's cruise vessels
- 19 per cent of the world's gas carriers
- 19 per cent of the world's chemical tankers
- 10.5 per cent of the world's crude oil tankers.

Norway is also one of the leading nations in the offshore oil industry, with a fleet of 200 offshore service vessels, including specialist supply, seismic, pipe-laying and other service vessels—the second largest such fleet in the world—plus an additional 75 mobile offshore units (jack-up and semi-submersible rigs).

Australia, by contrast, which has four times the population of Norway and the benefit of a 600 million tonnes maritime cargo base, no longer has an effective merchant navy. Given that several small nations successfully operate large merchant fleets, it should be possible for Australia to do so again in response to the renewed need.

Rebuilding the Australian merchant navy

Policy settings

The first step to rebuilding the Australian merchant navy will be to ensure that Commonwealth government and

shipping industry policy settings are appropriate. To this end, Sharp and Morris made 12 recommendations designed to encourage new investment in Australian-flagged shipping. Among them were:

- The current atmosphere of change and uncertainty in government policy and regulation must be replaced by a regulatory framework that is clear, is consistent over time and is applied equally to all participants. Barriers to competition by Australians, including those in the Customs Act, must be removed.
- The *Navigation Act 1912*, particularly provisions that regulate the conduct of coastal shipping, and the *Shipping Registration Act 1981*, section 12 especially, should be reviewed.
- Where the national interest is a factor in developing or applying shipping policies, government should clearly identify the process by which national interest is determined and give those affected adequate opportunity to contribute.
- Australian resident taxpayers serving in international trading vessels should be treated under the *Income Tax Assessment Act 1936* in the same way as other Australians employed in a foreign country. Inconsistent application of the Act in this regard should be corrected.
- Employees and employers should discuss the possibility of a more flexible range of occupations and skill levels on board ship so as to enable maintenance to be undertaken on board at reasonable cost.
- Opportunities should be explored to crew vessels in new trades with a combination of Australian seafarers and foreign seafarers. This would create training, job and career opportunities for Australians and enhance the skills base of qualified Australians.
- The Commonwealth government's policy for coastal shipping (ie. to obtain the cheapest priced shipping services by accessing foreign ships) is inconsistent with its policy of strengthening border protection and stands in contrast with the border protection policy of the United States government, which permits only vessels and crew from nations regarded as having a high degree of security access to its coastline.

- There is need for skilled seafarers for a wide range of occupations in the industry and for an industry forum (eg. National Maritime Industry Training Council) to progress and enhance career paths and competencies. Existing Commonwealth funding could be more effectively channelled to this end.
- The participants should investigate alternative forms of coverage under the *Seafarers' Rehabilitation and Compensation Act 1992* with a view to reducing the cost of providing comparable cover. They should also rectify negative perceptions of the performance of the industry.
- The introduction of tonnage-based company tax should be urgently considered as an alternative to traditional company tax, as it has led to revitalisation of the shipping industry in other countries that have adopted such a system.

Options

Once the Commonwealth government has the appropriate policy settings in place, attention may turn to the types of merchant vessel needed and how they might be owned, funded and crewed. Two options are discussed below:

- A large, Australian owned, but primarily foreign funded, merchant fleet with Australian officers and mixed (multi-national) crews, with a mix of specialist and multi-purpose vessels (including some vessels suitable for providing defence logistics support).
- A small merchant fleet comprised of a few multi-purpose merchant trading vessels, all suitable for providing defence logistics support and each owned and funded by the Commonwealth government and crewed by Royal Australian Naval Reserve personnel.

Option 1: A large merchant fleet with Defence needs as a secondary role. One option would be to develop a large merchant fleet designed both to service the bulk of Australia's maritime exports and imports and to trade among international ports. The fleet would consist of both general-purpose and specialist cargo vessels, with a portion (say 1 in 10) of the general-purpose vessels specifically designed to meet defence logistic-support needs. The specialist vessels, for example, could include large tankers designed to transport Australian liquid gas from the North-West Shelf to China. The fleet would be owned by the Australian shipping industry with or without some Commonwealth government equity. The fleet, however, would be funded largely via foreign loans based on the expected cargo tonnages to be carried. The government, in conjunction with industry, would develop an elite force of graduate seafarers through the Maritime Academy in Tasmania to provide the officers and other specialist personnel required. Other crew would be drawn from the Australian and international markets as needed.

Given, however, that Australian shipping owners have

virtually abandoned the industry, with even traditionally major players having dropped shipping as an owned and operated part of their business, this option may well prove difficult for the government to initiate. A more modest approach may prove more practicable, either as an end in itself or as the first stage in the eventual development of a large merchant fleet.

Option 2: A small merchant fleet focused on Defence needs. A more modest option would be to build a few multi-purpose merchant trading vessels, all of which would be suitable for providing defence logistics support. Each vessel would be owned and funded by the Commonwealth government and crewed solely by Australian merchant mariners, all of whom would be Royal Australian Naval Reserve personnel. The intention would be for the fleet to become self-funding over time, by carrying a portion of Australia's coastal and export/import trade. The initial aim might be to develop a fleet of say 10 vessels and 500 crew within 10 years.

We consider that the multi-purpose merchant trading vessels would need to be twin-screw vessels of about 8000 Gross Registered Tons (GRT), crewed in accordance with modern merchant shipping principles of minimum crew. The ships would need sufficient sea-keeping qualities to enable them to resupply Australia's Antarctic bases and patrol the Southern Ocean EEZ, if needed, and should be able to load and unload either at port or at sea by virtue of heavy-lift gantry style cranes. They would also need a stern helicopter landing stage and the capacity to embark and store in a hanger a general purpose helicopter (eg. Sea Hawk). They would need some capacity to protect themselves from air and surface attack and also be able to apprehend small vessels. They should be able to carry around 600 Army troops in dormitory-style accommodation, in addition to their crew.

As they came on line, a ship might be home-based at each of Darwin, Perth, Hobart and Townsville, with subsequent ships home-based in Sydney. While the primary role of these ships would be to provide logistics support to the Australian Defence Force when required, this requirement probably would only arise intermittently. Accordingly, the ships normally would perform a mercantile function among Australian and international ports in our region, and should be able to undertake some border protection, EEZ surveillance and disaster relief (eg. Darwin after Cyclone Tracy in 1974) tasks concurrently.

There may also be a case for dedicating a few of these vessels solely to full-time naval support. If so, these vessels could be owned by Navy and function in a manner analogous to the British Royal Fleet Auxiliary.

Major issues to be resolved

Before either of the above options could be given effect, there would be several significant issues to be resolved. Foremost among these would be considerations relating to employment relations, government incentives and free trade agreements.

It would be important that crews of Australian-owned and operated vessels were fairly remunerated and enjoyed employment conditions in accordance with Australian community standards, yet within the context that a vessel's overall collective employment costs were internationally competitive. Given the low manning levels of modern ships, an appropriate balance should be achievable, but there would undoubtedly be challenges to overcome. Also, any requirement that certain vessels be crewed only by Naval Reserve personnel might require that the vessels in question be commissioned as naval auxiliaries.

The government may wish to use various types of incentive to encourage private investment in the rebuilt Australian merchant navy, including the exercise of certain preferences in favour of Australian-owned and operated shipping. Such incentives as may be proposed, however, would need to be examined in the light of any applicable free-trade agreements. Broader national interest considerations, including national security and defence requirements, might provide sufficient justification for any necessary government incentives.

Conclusion

While to economic rationalists in the late 20th century the Australian merchant navy seemed a luxury, and while sectional interests have gained short-term economic benefits from its demise, it is clear at the beginning of the 21st century that the Australian merchant navy needs to be rebuilt in the broader national interest. Key drivers for the rebuilding of the merchant navy include: economic, trade security, exclusive economic zone, national security, border protection and defence imperatives.

The first step to this end is for the Commonwealth government to readjust its relevant policy settings in line

with the recommendations of Sharp and Morris so as to make private investment in an Australian merchant marine attractive again.

There is also a need for direct Commonwealth government investment, at least to initiate the rebuilding, if not in the longer term. One option would be for government and private investment in a large merchant fleet designed both to service the bulk of Australia's maritime exports and imports and to trade among international ports. A small portion of this fleet would consist of general-purpose cargo vessels specifically designed to meet defence logistic-support needs. Several small nations operate comparable fleets, demonstrating that that this would not be an unrealistic objective for Australia.

A less ambitious option would be for the government to build, own and operate a few multi-purpose merchant trading vessels, all of which would be suitable for providing defence logistics support, and to crew them with Royal Australian Naval Reserve personnel. We consider that the Commonwealth government should adopt this second option as a first step towards rebuilding the Australian merchant navy. ♦

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