



16 February 2007

Mr Peter Baxter  
Japan FTA Task Force  
Department of Foreign Affairs and Trade  
John McEwen Crescent  
Barton ACT 0221

Dear Mr Baxter

I am writing in relation to your letter of 20 December 2006 addressed to Austal's Executive Chairman, Mr John Rothwell, seeking submissions on the proposed Australia – Japan Free Trade Agreement. On behalf of Austal I am pleased to provide the following comments.

### **Austal Background**

Austal is Australia's largest shipbuilder and specialises in the design and construction of high speed aluminium vessels for both commercial and defence applications. The company has built over 170 vessels since 1988, the vast majority of which have been exported, including two vessels to Japan. We are recognised as the global leader in this field.

### **Japanese Market**

Japanese organisations, both private and government controlled, own a large fleet of ferries operating on domestic and international routes. Although Japan has a very large steel shipbuilding industry, it has no recognised international quality suppliers of large high speed aluminium ferries of the type built by Austal. For these reasons Japan has always been a market of considerable interest to Austal, as exemplified by the appointment of a full-time local representative in the mid-1990s (a strategy that we have not felt the need to employ in any other market).

The market has, however, proved difficult to penetrate. As far as we are aware the two vessels built by Austal for Japanese customers are the only two high speed ferries to be imported into Japan from any country since 1988 (although up to two such vessels are currently on order from another Australian shipyard). In the same period, over 80 high speed ferries have been built in Japan, the majority (if not all) for domestic Japanese operations.

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## **Market Access Issues**

The most significant barrier that we have identified that could be addressed in FTA negotiations is in the area of technical regulations and standards. Specifically this relates to the requirement for vessels, and in particular equipment, to be certified to Japanese Government (“JG”) standards. While it is normal for governments worldwide to apply individual requirements such as this, especially for vessels operating on domestic routes, in most cases there is a greater degree of recognition for other international standards than presently exists in the JG regulatory environment.


While Austal is not prevented from designing and building vessels to meet the JG requirements, the lack of recognition for other internationally accepted standards can necessitate additional design work and, more importantly, limits options for equipment and material selection. This can directly and indirectly result in increased vessel costs, thus reducing the attractiveness of large high speed aluminium ferries compared to alternative vessel types. As an example, we estimate that the cost of obtaining JG approval for a marine evacuation system that is widely used internationally could increase costs by approximately AUD\$1 million.

## **Addressing Market Access Issues**

Austal believes that the most appropriate and practical means of addressing the barrier created by the use of JG regulations and certification would be to negotiate for greater Japanese Government acceptance of other international standards and certifications, particularly for equipment.

I hereby authorise DFAT to post the text of this submission on the DFAT website.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Stephen Lupi', with a horizontal line underneath the name.

**STEPHEN LUPI**  
**EXECUTIVE MANAGER – SALES, MARKETING & STRATEGY**