THE OFFICIAL JOURNAL OF SHIPPING AUSTRALIA LIMITED

Print Post Approved PP255003/07533

SHIPPING AUSTRALIA

GLADSTONE THE GASTOWN

PROFILE

How an unknown man with a Porsche helped change another young man's life ...

TRAINING VITAL TO HEALTHY SHIPPING FUTURE

ARE GOVERNMENTS SERIOUS ABOUT FREIGHT ON RAIL?

WINTER 2012

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Shipping Australia Limited

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Shipping Australia Ltd
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Showcase PUBLICATIONS

PUBLISHED FOR SHIPPING AUSTRALIA LTD BY
Showcase Publications Pty Ltd
PO Box 665, Broadway NSW 2007
P: 02 9211 7422 **F:** 02 9211 9061
W: www.showcasepublications.com.au

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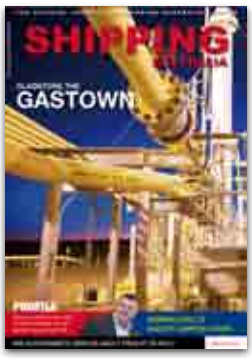


Cover Picture:
The Gladstone LNG company's refinery takes shape on Curtis Island

ANNOUNCEMENTS FROM THE BRIDGE

By LLEW RUSSELL

Melbourne trade tax does nothing for productivity

I hope all our readers enjoyed the bumper March edition which contained our annual report for 2011. The year is now well underway and the challenges facing the shipping industry continue unabated.

The Viewpoint in our Autumn magazine concerned the proposed Port Licence Fee that the Victorian Government is levying on the Port of Melbourne which will amount to $75 million in the next financial year and higher amounts thereafter. This tax on trade remains a serious concern to Shipping Australia and we have made a number of representations both to the Federal and State Governments expressing our concern and at the very least asking that the Victorian Government dedicate the funds raised to improving infrastructure within the port or on connections to and from the port.

The regrettable fact of this tax on trade is that it does nothing to increase productivity in the Port of Melbourne or to enhance its international competitiveness. Readers may have forgotten that in the Victorian Government's 2008 freight futures paper, the original Freight Infrastructure Charge was supposed to:

(a) promote increased use of rail transport to and from the port precinct and it stated that the charge would not apply to trucks carrying containers travelling to or from one of the rail terminals in the port or Dynon precincts.

(b) encourage off peak use of roads accessing the Port of Melbourne to reduce peak hour congestion around the port;

(c) promote increased use of high performance freight vehicles and increased truck utilisation in terms of two-way loading.

We would again urge the Victorian Government to ensure that all the funds raised from this Port Licence Fee are spent on improving infrastructure that will be of direct benefit to the Port of Melbourne.

We do commend the Victorian Government for the announcements in May that Webb Dock East will be developed as a new container terminal, hopefully by the end of 2016 and that the motor vehicles currently handled in that area will be transferred to Webb Dock West which would require the construction of two new berths. It is also proposed that a new road link be developed and

the Port of Melbourne Corporation has been quick off the mark with advertising for expressions of interest in carrying out all the public works required. There is a strong possibility that a third stevedore will view the tender to operate the new container terminal and thereby increase competition within the port. It is notable that next year Hutchinson Port Holdings will be operating new container terminals in Brisbane and Sydney.

Subsequent to the announcement that the Government had decided to develop Webb Dock East, the Victorian Minister for Ports, Denis Napthine announced that the proposal to transfer the motor vehicle trade from Melbourne to Geelong had not, after very extensive consultations, proved to be a viable option and they would be transferred to Webb Dock West.

SAL's study on the future viability of intermodal terminals in the metropolitan areas of Sydney and Melbourne has been well received. If any reader would like a soft or hard copy of the study, could they please contact Sharyn Flood on sflood@shippingaustralia.com.au to obtain their copy. SAL is very supportive of the development of these inland ports to effectively increase the capacity of existing container terminals. In Viewpoint, Scott Ryall, Head of Research at CLSA Australia (a corporate associate member of SAL) questions whether state Governments are really serious about increasing freight on rail.

At the proposed AMSA Natship conference to be held on 6-8 August, 2012, I will be speaking on shipping in the Great Barrier Reef and in particular, the potential environmental impact of the anticipated significant growth in ship numbers using the inner passage. Our feature writer, Archie Bayvel, has visited Gladstone and outlines the enormously significant developments in that port, particularly in relation to LNG.

The Australian Competition and Consumer Commission has been considering whether Ports should offer exclusive or non-exclusive licences or no licences for towage operators in their port and a man with a vital interest in the outcome is Mark Malone, managing director of Svitzer Towage, Australia. He is the subject of our Profile in this edition.

A major concern to SAL members is the current debate on five Bills that have been introduced into the House of Representatives late March concerning the Federal Government's proposals to revitalise the Australian shipping industry. Shipping Australia, as mentioned in this magazine in the past, is very supportive of the direction and objectives of the new legislation but very careful drafting is needed to ensure that the Bills will lead to a viable and internationally competitive merchant marine. We look forward to perusing the proposed compact between the three maritime unions and employers as productivity benefits from such a compact will go a long way to assisting Australian shipping in becoming internationally competitive. We do commend the Australian Government for seeking to level the playing field as far as competition between Australian and foreign flag shipping is concerned. It is essential that there is as much clarity as possible in the provisions of these Bills and the underlying Regulations to ensure that there is no unintended consequences, particularly regarding the carriage of coastal cargo by vessels with a temporary licence.

SAL members are opposed to funding the general operation of the weigh-in-motion systems for all full inward containers carried by truck at Port Botany. We have been very supportive of the Chain of Responsibility (CoR) legislation and were actually the first organisation in Australia to develop an Industry Code of Practice (November 2004) in conformity with the model legislation. However, in this case our stevedoring contracts end at the time of loading the container onto the truck or railway and in most cases we are not involved in any way with hiring the truck to carry the container. We have to rely on the weight information provided by the consignor. We support the weighing of export containers to try and eliminate misdeclared weights which can jeopardise the safety of the entire supply chain. This CoR legislation is targeted at inward containers only and appears more concerned with determining whether allowable axle weights have been exceeded. Whilst it is essentially a matter for the trucking industry, it is important to devise a system that efficiently and expediously passes on the cost to the importer. This will not be achieved by hindering the shipowners with unwarranted extra costs.

Shipping Australia was extremely pleased that Judge Rolfe in the District Court of NSW found that container detention charges under the contracts are valid and payable in full. The Judge held that the obligation to pay container detention charges under those contracts is not contingent on any breach of contract and that, as a consequence, the charges were not held to be a penalty. Robert Wilson, a partner in the law firm Norton White sets out the details of this interesting case.

Readers are reminded that letters are most welcome on any issue of interest to the maritime, trade and logistics industries in Australia.

Weigh-in-motion systems in action at DP World's Port Botany terminal

This won't fix the real problem with overweight containers!

Shipping Australia has consistently tried to engage with the Chain of Responsibility legislation and we were the first organisation to adopt a code of practice to conform with its requirements. However, the implications of overloaded containers or misdeclared weights in containers will not be resolved by weighing in-bound containers only nor by focusing on axle weights rather than the overall load. The ramifications of not completely tackling this issue as shown so graphically in our Autumn edition (pages 30 to 31) will continue. SAL supports the International Maritime Organisation's efforts to have every container weighed BEFORE loading. It is understood that it might take some time for agreement to be reached on this.

AUSTRALIAN INTERNATIONAL TRADE AND TRANSPORT INDUSTRY DEVELOPMENT FUND

Proposed seminars to explain criteria for project funding to assist international trade and transport industries

The AITTIDF; trading as ITDF is a not for profit organisation whose purpose is to make grants to Australian based industry organisations in accordance with the approved purposes which are projects to advance, promote, support and enhance the interests of Australia's international trade and transport industry participants, in particular:

i. e-commerce projects in Australia which benefit the commercial, operational, legislative and regulatory processes supporting Australia's International Trade and Transport Industry;

ii. projects in Australia to facilitate Australia's international trade with its trading partners;

iii. projects in Australia that encourage more efficient international supply chain solutions; and

iv. projects in Australia aimed at measurably increasing the level of skills and training in the international trade and transport industry including participants in that industry.

Seminars dates/venues:

Brisbane	:	Multi-User Terminal, Fisherman's Island Wednesday 4th July 2012, 10.00am
Sydney	:	The Portside Centre, Sydney Thursday 5th July 2012, 10.00am
Melbourne	:	Quality Hotel Melbourne Airport, Tullamarine Tuesday 10th July, 2.00pm
Adelaide	:	The Lakes Resort Hotel, West Lakes Wednesday 11th July, 10.00am
Fremantle	:	Tradewinds Hotel, East Fremantle Thursday 12th July, 10.00am

To register to attend the seminars, please visit www.aittidf.org.au and click on "News". Information on the funding rules and a pro-forma document to assist in grant applications is available under "Documents".

Are governments serious about freight on rail?

By *SCOTT RYALL*, head of research at stockbrokers CLSA Australia, a corporate associate member of SAL

VIEWPOINT

I am often asked by offshore investors whether Australia is still a country in which it pays to invest, particularly outside the mining and related sectors. The discussion inevitably turns to Australia having a high cost of doing business and whether there is a sufficient productivity offset to ensure this is sustainable. While the debate around productivity rages, unfortunately neither side of parliament appear to offer anything too constructive in terms of solutions.

Too often matters of infrastructure are clouded by obvious politicking (in Sydney Federal Infrastructure Minister Albanese and Shadow Treasurer Hockey prove this is a bipartisan trait. And even when re-election should not be an issue (NSW in particular), we seem to be still waiting for definitive action. Lack of funding is too easy to blame - private funding would likely be available if there was a clear vision and direction that enabled surety of investment with the expectation of profit for well executed business plans.

And what better issue to tackle than inefficiency in the industrial supply chain. I would suggest that this is a top three issue for tackling productivity.

Imagine the benefits of making imports cheaper and domestic retailers more competitive (retail being our largest employer group). Not to mention reducing trucks on congested commuter roads, a benefit rarely discussed in the same breath. Using rail to transport more goods, particularly from port to a hub inland that is nearer to where goods are being delivered, is certainly one of the major solutions to improving productivity throughout the supply chain.

Clearly rail is less flexible than road in its service offering. But given suburban encroachment around ports (that by necessity are bordered by water), it is time to act on inland ports or intermodal terminals as a fundamental requirement for driving increased productivity and moving the transportation hubs nearer to the centre of population. For example, a 20' container costs $500 to take from port to warehouse in Western Sydney by truck whereas it costs $700 to get it from Shanghai to Sydney in a ship?

It seems reasonably clear that metropolitan roads are near capacity so why not tackle the cause not the problem. There is a business case to be made that trucks themselves would be more efficient and profitable were less time spent waiting at port and stuck in traffic. It would be best to have less congestion on roads rather than more. One thing for sure is the carbon tax break for trucks but not for rail is unlikely to incentivise the private sector to find a solution.

So we are back to the question posed in our title. Unfortunately given the state of politics in Australia (a material consideration for offshore investors), we seem unlikely to drive a strong solution any time soon. Yes Minister Albanese has thrown his weight behind Moorebank. But will he be around to execute this plan? Opinion polls say No.

So we are left to analyse concrete progress to date, which is pretty poor. Does the NSW government have any milestones relating to its target of 28% of containers transported by trains by 2020 (from 14% now)? This would seem like a useful discipline to ensure timely decisions. This would increase urgency and drive key decisions on freight corridors from Port Botany, particularly those trying to solve current scheduling and inefficiency issues that impact on the competitiveness of rail against road.

There are so many pending issues. We are still waiting for a decision by NSW to complete the Dombarton to Maldon railway to connect Port Kembla and the industrial areas of Sydney. And with the Victorian government looking at Webb Dock , which will not have a rail link, as one of its interim solutions to provide capacity over the next decade, what are the key ways Victoria will get to its target of 30% (which had an original target date of 2010)? Perhaps new intermodal terminals would also be a sensible intermediate step to increasing capacity in Melbourne.

I focus on Sydney and Melbourne as the key areas where the broader economic benefits of reducing road congestion do not appear as drivers of government behaviour to removing inefficiencies in the supply chain. Of course there are other improvements that could be made in interstate rail and in smaller cities. The private sector will step-up, but only when the government vision is clear.

PROFILE

MARK MALONE,
managing director of Svitzer Australia

How an unknown man with a Porsche helped change another young man's life ...

I'm impressed by the completely different work atmosphere in Australia," Mark Malone says.

"Here the marine industry is based on opportunities, new projects or expansion of existing ones whereas elsewhere in the world the main concern often appears to be trying to make the best of what you have."

Mark is a former ship's master who came ashore in England to join Maersk's management training programme at Felixstowe, the 4th -largest container port in Europe.

He's here on a four-year visa, lives in Adelaide with his wife and son and commutes to and from Sydney from there. "We chose Adelaide as our Australian home", he says, "because my wife's twin sister lives there with her husband and children and they provided us with a ready-made family here. The sisters get to spend time together and our boy gets to know his two cousins."

Born near Newcastle, England, he went to The Duchess's High School of Northumberland at Alnwick (pronounced Annik). Located right next to Alnwick Castle. It was the film location of Harry Potter's Hogwarts College.

"Most people around Alnwick are farmers," he says, but there was one young man who drove around in a Porsche and I discovered that he was a seafarer; that had a big influence in my choice of career!

"My seafaring began as a 16-year-old deck cadet with the Bibby Line, of Liverpool, in the UK. My first ship was called the Lincolnshire, a gas ship bound for Odessa that I joined in Falmouth, Cornwall. I was sick for my first three days at sea and spent them wondering "What the hell have I done?"

"I spent my first Christmas at Odessa where there was no beer but plenty of vodka. Then came three months in the Caribbean, loading in Trinidad and unloading in Tampa, Florida."

When he had completed his cadetship, Mark spent some six years in a variety of ships to get experience of the different trades.

Then he joined Maersk as a first officer and progressed to master– a prerequisite for admission to Maersk's management programme. His last ship was the Maersk Arun,

a 1500TEU containership trading around the Baltic.

When he came ashore his first two years were spent as an operations manager at Felixstowe and studying at the same time. Then he moved to the same role at Italy's southern port of Giori Tauro, widely believed to be in the heart of Mafia country.

"Although the only evidence I had of that," he says, "came as I was about to leave when my colleagues reminded me of a hopelessly unreliable taxi driver whose contract with the company I had torn up soon after my arrival."

"I never saw him again but apparently one day while I was out of the office they received a visit from two gentlemen in dark suits and sunglasses who explained how it would be in everyone's best interests were the contract restored, albeit with a new driver. Apparently they owned the cab."

"Peace was restored, the cab owners got their contract back, I got a perfect new driver and nobody mentioned the negotiation until I was on the way to my next posting."

Back at Felixstowe he ran the business that owned Maersk's UK-based international fleet of some 80 deep-sea boats, supply ships, tankers and containerships. Maersk's various divisions – container, tankers etc – would then charter them as required.

"I loved the job," Malone says. "We had 2000 seafarers so I was back in touch with the crews, going on board the ships, working with the chamber of shipping, training cadets. It was giving something back to my industry for three years – during which time we increased the fleet from 50 to 84 vessels."

He's been with Maersk for 12 years now and among his memories is being at a function attended by the late Mr Maersk McKinney Moller who spent almost as much time talking to a group of cadets as he did to the assembled dignitaries because he saw these young people as the future of his shipping line.

"My task in Australia is to make Svitzer the most competent maritime force I can by engaging the team in company decisions."

" It's a three-step strategy: We're running voluntary leadership courses for our crews to help build positive views of how things could look rather than how they are."

"The follow-up is to encourage our crews to view their tug as a business unit. Traditionally tugs are directed from a distant office but we encourage our crews to imagine what they would do if they owned a tug; then we build from there."

"Ultimately we are changing the company structure. Change of course makes people very nervous, but we have a unique asset with the knowledge and competence of our crews which is not being used or encouraged to its full extent."

"The original pilot study was done in the UK and the philosophy has since become country-wide with some notable results eg: When the GFC first hit us we lost 25 per cent of our market activity yet significantly increased and improved our return on capital through more efficient operations."

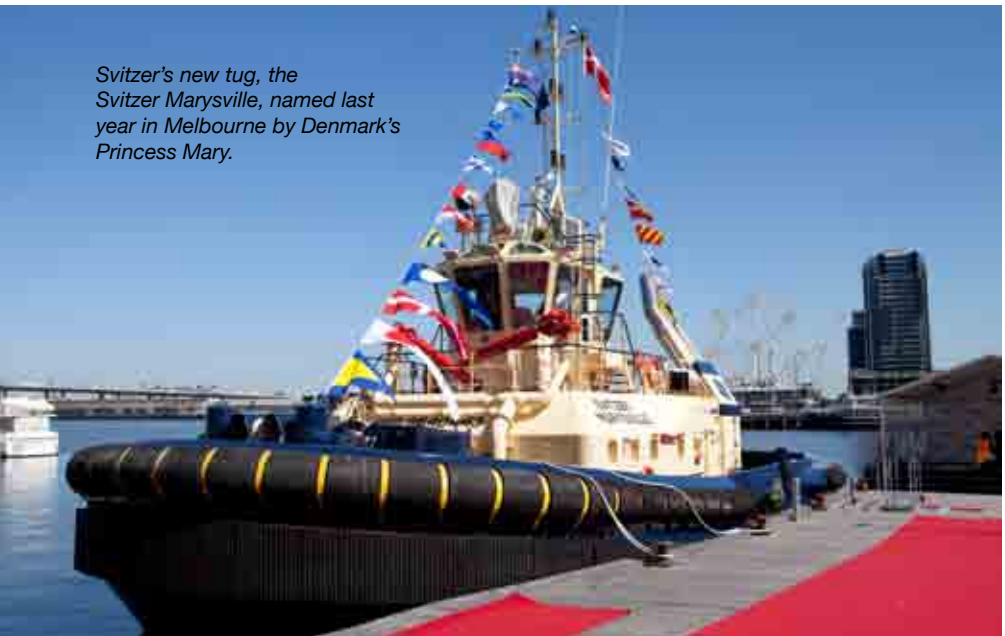
Already Malone is active in local maritime industry affairs as a founder member of the 10-week-old Australian Marine Tugboat Association which is so new that at time of going to press it has yet to appoint its officers.

"One of the matters we need to address," he says, "is the ageing profile of tug crews. Average crew age today is 54!"

"Svitzer has 100 tugs and 20 line-handing boats here and we operate in most Australian ports. We added three new tugs last year and another four will be added this year."

"We also have a salvage arm to our business. It's the service that everyone hopes to avoid having to use. We try to be more than insurance; we also try to add value by turning ships faster for a tangible benefit and by our experience of working in narrow spaces where the potential for accidental damage can be huge."

"Calm water is not where tugmen show their worth."



Svitzer's new tug, the Svitzer Marysville, named last year in Melbourne by Denmark's Princess Mary.

A special report from:

GASTOWN!

Back in July 2007 when we last reported on Gladstone, coal was all the go. People were amazed that $800,000 had just been spent upgrading the port's coal terminal. So were we and we sent ARCHIE BAYVEL up there to report on what he saw. We sent him there again for this issue.

"$50 billion gas deals have blown coal out of the headlines," he reports, "and that's despite the new $2 billion Wiggins Island coal terminal and more billions – that word again – being spent on other projects."

GLADSTONE is a community under pressure. $75 billion-worth of pressure and rising. It's a resilient little city but the scale of what is happening just now is extraordinary. Housing, restaurants and social services are all under pressure despite the gas and coal companies making massive contributions to the city's social impact mitigation plan.

Population of the district today is around 60,000 and that's expected to double by 2030!

There are five main activities exerting the pressure that has turned Gladstone from a minor country town into what is almost certainly this country's leading industrial centre.

Number one is the conversion of coal seam gas into liquid natural gas that can be exported as energy fuel.

Number two is exporting coal through its existing RG Tanner terminal which has a throughput of some 70 million tonnes per annum.

Third is the refining of aluminium from bauxite into end product.

Fourth is the vast technical and construction industry that is putting all these industrial plants together and ensuring they run smoothly.

Finally there is the administrative task of providing and managing the human infrastructure essential to maintain all the people and their families who fly in and out of Gladstone, who make their home in Gladstone briefly or long term.

Mayor Gail Sellers

Miraculously, all that is happening with little obvious evidence of the frenzied activity it generates. Walk down Goondoon Street in the city centre, and you don't see much activity. Certainly a lot more than was there five years ago and people who haven't visited the place for, say, 20 years would be amazed.

But when it comes to street bustle things aren't all that more hectic than Griffith's Banna Avenue nor Leeton's Pine Avenue and it's nowhere near as lively and impressive as St George's Terrace in Perth.

What it does do, however, is leave Port Hedland, Dampier and their ilk for dead with its civilisation and sheer multiplicity of industries.

Only Adelaide, when Olympic Dam and its other mineral developments get their act together, will equal it.

Both Perth and Adelaide, however, have their industrial plants in far Faraway. Gladstone has them on its doorstep, even within its CBD. It's a mini-Chicago in the making.

All the activity is out of public view. It is in the massive construction sites on Curtis Island, a few hundred metres across Gladstone harbour from the city, in the giant aluminium refineries just a few minutes out of town, and behind the harbour gates where the ships come and go.

It's also in the big service yards where the gas companies marshall their work teams and their material, and at the airport where at least 16 flights a day shuttle visitors in and out of the city. If you can find a seat on one of them! And a hotel room under $400 a night!

Gas is the star with almost $50 billion of construction already underway and another $20 billion imminent. Gas has put Gladstone's famous coal industry in the shade despite it being the fourth biggest in the world with its 70 million tonnes a year capacity exported this year and a beginning made to its $5 billion Wiggins Island project that will double that capacity.

Main issue facing the town is housing with less than 1 per cent of houses available to rent and rents doubled in the past 12 months with $350 a week houses now costing $700+. The good news is that the local council has $20 million in the bank to build affordable rental properties. And the temporary, but enormous, bulge in the population during all the construction phases will be largely absorbed by temporary accommodation being built on Curtis Island.

Just what the future has in store for Gladstone is a complex issue. Short term she's apples beyond anything Adam, Eve, the serpent, or God could have imagined. Each of the existing gas plants is expected to spend at least $15 billion just to get up and going.

All three Curtis Island refineries currently a-building have already sold their entire predicted gas output for the next 15+ years and coal exports have long-established Asia customers who will need coal-power for the foreseeable future. The LNG industry began only in 2006 but expects to be producing 25mtpa of gas by 2020; this will be alongside 150mtpa of coal and 15-20mtpa of other products

But there is extensive opinion that while LNG will eventually replace coal, it may be only a stopgap fuel for, say, 50 – 70 years, on our way to a nuclear-powered planet. Even that, however, may need to use LNG; a recent report on work in Korea details using LNG as a coolant to replace water in nuclear reactors.

A far more immediate threat to Gladstone's gas future is the world glut

Gladstone LNG's under-construction site on Curtis Island

of gas. Future sale contracts appear to quarantine Australia from this threat which springs from immense reserves of conventional LNG – as distinct from unconventional gas such as coal seam gas – which are being developed by Qatar and coming on-line in 2014, new gas sources emerging in Africa, South America, and Canada, and the USA's re-emergence as an exporter of LNG. Queensland Energy Resources already has a pilot shale gas plant running.

Australia, Qatar, Nigeria, and the USA in that order are predicted as the leading producers by 2020 with our production soaring from its present 24 mtpa to 102mtpa; Qatar, current world leader with 77mtpa will go to 84mtpa; Nigeria from 21mtpa to 71 mtpa; and the USA from 1.2 mtpa to 45 mtpa.

Total predicted world supply from 24 producing nations will rise from 430mtpa to 606mtpa. So the figures are probably all flexible but the message is not: There's going to be an awful lot of LNG on the world market only eight years from now!!

Our consolation is that Gladstone's three refineries have already sold all their production and no doubt the fourth, Arrow, will be busily doing that right now so it can get stuck in to catching up on the bonanza while the going is best.

Right now a Gladstone Regional Council study – its Strategic Infrastructure Plan – has identified $200 billion worth of projects in hand or tapping at the council's door.

So being a councillor is a full-time job. The mayor, Cr Gail Sellers, draws a salary of about $100,000 a year and her councillors around $60,000 each and the council is highly proactive in developing its city. It owns the airport, for example, and has just completed a $70 million facelift of its runway and terminal. All the money was raised by the council bar $5 million from the Federal Government. Another $10.5 million has been contributed by the gas refiners to install an Instrument Landing System to help pilots avoid random gusts of burning gas on their flight path.

Coal Seam Gas is a natural gas extracted from coal and is the cleanest of the fossil fuels and is a low-emission alternative to coal for generating electricity. Liquid Natural Gas is CSG that has been cleansed of impurities and liquefied by cooling it to minus 161^{0}C. That hugely reduces its volume and enables it to be stored in high-pressure containers aboard the so-called gas ships for export. LNG is colorless, has no smell (although "smell" is usually added to the domestic gas to warn users of leaks), leaves no residue in the soil, and quickly disperses in the air.

"The industrial boom means that all our children will have a very good future in Gladstone," Cr Sellers says. "We don't expect to see them leaving town as so many other regional cities have experienced."

"Housing isn't our only issue; we need retirement villages. The council is looking at building one and another is at project stage. Roads are becoming a problem for old people as traffic volume increases. They just can't cope with it although we are building a ring road round the city to reduce congestion."

"While our children are staying many residents in their 60s are leaving because they can sell their homes for $150,000 more than they expected and are cashing in or they're moving farther north or inland where they can buy again much cheaper and have more money for living."

"One result of the old folks leaving is that we're losing our volunteers and our baby-sitters."

"People on welfare are also leaving because rising costs are beating them. All the gas companies have contributed $1 million each to family and essential social services and also to assist apprentices and trainees settle into the city."

"We have a distress fund supported by the LNG companies but some people have to relocate despite all that. A very few people, perhaps 10 a year and often single mums, simply can't live here any longer for whatever reason. We have a housing support officer to help them."

"For a rapidly growing city we also need more shopping. I'd say we're close to getting a Myer or a DJs although even Rockhampton with a much bigger population of 84,000 hasn't managed to attract one of these retailers yet."

"Our population is predicted to double

A cut-away model of a new class of LNG ship

What's a-building and what's on the way ...

Status	Name and developer	Cost	Gladstone work force		Timing
			Construction	Operation	
Now building	Qld Curtis LNG [BG Group]	$15bn	2500	280	2014
	Rio Tinto Yarwun alumina refinery	$2.10bn	1350	250	This year
	Boyne Smelters Ltd	$0.68bn	400	N/A	This year
	Powerlink	TBA	N/A	N/A	This year
	Western Basin dredging	$1bn	225	40	2013
	Qld Energy Resources	$1bn	140	50	This year
	Gladstone LNG [Santos, Petronas, Total, Kogas]	$16bn	2500	280	2015
	Australian Pacific LNG [Origin]	$14bn	2500	250	2015
	Wiggins Island coal terminal	$2bn	800	120	2014
	QR rail link to Wiggins	$0.90bn	1000	80	2014
$ building		$52.68bn			
Completed EIS	Gas pipeline: Arrow Energy, AGL	$0.48bn	300-350	10	Licence granted
	Gladstone Pacific Nickel	$3.84bn	1000-2300	530	"Wait 'n see"
	Gladstone Area Water Board	$0.32bn	400	N/A	2013
	Surat Basin railway	$1.2bn	1000	44	Begins 2012
$ estimate		$5.84bn			
Proposed/ pending	Boulder Steel blast furnace	$2.5bn	2000	1020	EIS this year
	Aldoga gas-fired power station	$1.8bn	1000	TBA	2013+
	Balaclava Island coal terminal	$1.5bn	800	100	EIS begun
	Arrow LNG (Shell, PetroChina)	$15bn	2500	300	Design this year
$ estimate		$20.8			
Total dream		**$79.32 billion**			

by 2030. We have a stable population base from people who came here for a short time then decided to stay. We have plenty of jobs, the harbour, extensive parks and sports grounds, the bush within a few kilometres and an excellent climate. People develop an affinity for our city."

"So far as healthcare is concerned the LNG companies have put millions of dollars into it although you can't get your broken arm set in our public hospital for example; most major illnesses and injuries are sent to Rockhampton where there are specialists and intensive care."

While the gas plants are still under construction the long-established coal industry continues to thrive. Ships are lined up waiting to load but Gladstone's citizenry must be tougher customers than their Newcastle contemporaries because they are no problem.

Garry Scanlan

"Gladstone is an industrial city and we accept these things," Gail Sellers says, "although we did have a concern a few weeks back when the harbour was closed to fishing because of unidentified infections or injuries to the fish."

"Some people blamed the dredging, others the floods, and a third popular theory was that they had simply been injured when the Awoonga Dam overflowed for the first time in 20 years and many fish, some the size of a person hurtled about 80 metres to the river below. Everyone had a theory about it but what ailed the fish is still a mystery; the fish seem to be OK now however."

"With 5 per cent of Gladstone's fishing catch coming from our harbour, there was a compensation fund established for fishermen who could prove the outbreak of whatever-it-was and the harbor closure cost them money. They are claiming millions of dollars and a team of lawyers have flown in to help them."

Whatever! The harbour is now open to fishing again and the dredging, which had been scaled back earlier to reduce turbidity of the water, now operates on a turbidity management plan. Either the fish have been miraculously cured or, just like humans, they have epidemics of the snuffles which they get over in due course.

Worth noting is that The Observer, Gladstone's newspaper, records a daily Dredge Index which includes such events as "Al Mahaar (a dredger) has paused operations from about 6pm on Sunday in accordance with the Turbidity Management Plan due to high turbidity caused by extremely large tidal ranges during the full moon."

Garry Scanlan, Gladstone regional manager of GLNG, says: "One of the gas industry's biggest benefits for the Gladstone community is increased job opportunities for local people."

Like so many of local industry's executives, Garry is a son of Gladstone. He began his shipping career here with Dalgety as a mail boy on a bike

The real reason China cancelled coal orders ...

Quite another consideration for the future is the advent of an unconventional product in the form of shale gas from the abundant shale deposits all around the world. Shale gas will alter the energy mix and seems certain death to wind-power and may also delay commitment to nuclear power for 50, dare we say 100, years. By that time the problems of nuclear's residual radioactivity and its 1000-year death zone may have been solved.

According to Baltimore's Andrew Snyder, editorial director of Inside Investing Daily, Chinese traders' recent default on half a dozen international coal orders are the first signs of a great global shift in energy.

The more Washington environmentalists try to send coal-fired power plants to the history books, the farther coal prices will fall, he writes. He quotes the Australian coal industry's experience where prices have sunk from US$130 per tonne in April 2011 to around US$105. In the USA they're down 30 per cent with the result that American miners are putting their coal on the global market.

And that, he writes is the real reason China is cancelling coal orders. "Prices change by the minute yet it takes weeks to fill a freighter and deliver the coal to China's doorstep. The orders that were declined were placed in April but coal prices have come down by about $10 per tonne since then."

"When we multiply that figure by the cargo capacity of today's freighters the value drops by $1.5 million per shipment. So instead of losing a few million dollars, the traders are defaulting on their contracts -- figuring a red mark on their record is better than going out of business."

As the world shifts to natural gas China claims to have the world's largest supply of the stuff and Snyder predicts that within the next decade China will be cutting its gas imports too.

So the truth seems to be that China is not about to implode but is really leading the world's transition to an abundant and ultra-cheap fuel source. That's natural gas."

delivering documents to agents and ships in the harbor. Later in his career he obtained a graduate diploma in Maritime Logistics and Management from the Australian Maritime College. A former gm port development for 10 years with the Darwin Port Corporation, Garry returned to his home city to become CEO of the Gladstone Economic and Industry Development Board before being appointed to his present role with GLNG.

"GLNG alone has a growing workforce currently around 1100 on our project sites here of whom about 65 per cent are locals," he says. "Eventually we will have accommodation on Curtis Island for 2200 workers and a dining hall that caters for 1100."

Similar figures apply to Australia Pacific LNG and Queensland LNG, the other two gas companies which have already begun work, and expectations are that when Arrow begins construction it will be on a similar scale. So deserted Curtis Island which was formerly a cattle station will soon become home to almost 9000 workers and up to 4000 commuters.

Of the island's 15.5 sq kilometres the LNG precinct will take up about 1600ha. The GLNG site, for example, will be 170 hectares, of which 140 hectares have been cleared and fenced. The other companies' properties will be of similar size. There is no access to the rest of Curtis Island which has been declared an environmental management precinct.

There are already about 300 pieces of floating equipment on Gladstone harbour at any one time. Complex marine logistics will be required to serve the island's industries and co-ordinate it with the existing coal ships.

Although the island is only a few hundred metres offshore there is no road or rail access and all staff traffic in and out is restricted to the companies' ferries which ply from substantial mainland depots.

The gas itself comes by pipelines buried under the harbour after having flowed 420 kilometres from the wellheads at Roma. Once refined and liquefied it will be shipped out by specially built gas tankers. Each of the island's first six production lines (they call them "trains") will fill one tanker a week thereby adding another 12 large vessels coming and going each week.

On the island itself a tremendous amount of construction is taking place with Bechtel the lead constructor for all three of the approved plants. Should Arrow go ahead and build a fourth plant, and it seems highly likely that it will, its production line will be of different design and will be built by the Shell company. Apart from the engineering side of building

The gas partners:

- Queensland Curtis LNG: Owned by the BG Group.
- Gladstone LNG: Santos, Total (France), Petronas (Malaysia), and KOGAS (Korea); the last two have signed agreements with GLNG to buy 7 mtpa.
- Australia Pacific LNG: Origin Energy.

And then there's shale gas and fracking

Just what the comparative economics are of producing LNG from shale, coal seams, and petroleum have yet to be explained to the world at large. But shale, a previously unwanted and apparently useless kind of rock has suddenly become a multi $ billion industry.

The discovery that shale contains lots of hidden natural gas has been greeted with a fair amount of chaos in Britain and the United States. Its wealth prospects are maddening and so too is the method of extracting gas from the rock. Already enflamed environmentalists are at frenzy level over the extraction method of fracking. Clean water has been described as the picks and shovels of the fracking industry.

Fracking a single shale gas well, you see, needs nearly 6 million gallons of water and thousands of gas wells are already being fracked during which all that fresh water is turned into brine six times saltier than the sea!

Already rival companies are racing to invent the cheapest way treat all that brine and turn it back into useable water and that in itself will turn into a $billion industry once the technique has been mastered.

The largest shale gas and oil reserves in the world are in the USA and have been named The Ring of Fire. The ring doesn't exist, of course, it's just a nonsense name applied to most of the USA east of the Rockies and south of the Great Lakes. A bit like our Dead Heart, just more excitingly named.

But according to the Energy Information Administration, the United States is sitting on over 862 TRILLION cubic feet of shale gas reserves throughout the Ring of Fire. That's claimed to be over a century's worth of domestic supply at today's consumption rates.

In Britain meanwhile shale abounds and fracking promises to solve Britain's energy crisis, slash its carbon emissions and to turn Lancashire into one big gas well.

But it is not being all that warmly welcomed as US reports of fracking causing earthquakes, sickness and gas leaking into water pipes which can belch flames when people turn on their shower.

Despite all that, a British government report recommends that fracking for natural shale gas should be allowed to resume. Burning shale gas allegedly produces only half the carbon emissions of coal and supporters say it represents the quickest and cheapest way of making the dramatic cuts in Britain's carbon emissions that it needs under international treaties.

In the US shale gas has cut domestic prices in half. In Gladstone, Queensland Energy Resources Limited is toying with shale technology with a $100 million shale oil, repeat oil demonstration plant!

the production trains - and there will be at least eight if Arrow goes ahead – there is massive accommodation being built with each company having its own dedicated and lavishly equipped residential areas which will include special "wet camps" for tightly restricted alcohol consumption – two cans a day!

Currently 65 per cent of workers commute every day but that will shrink to 30 per cent when the accommodation is complete. Workers at the plant who live outside a 60-kilometre radius of the harbour will need to live on the island as part of the companies' fatigue-management programme.

Eight per cent of the growing labour force is women and they operate at all levels from white-collar professionals to drivers and professional engineers.

Bringing in the people is only part of the task. Importing construction components and plant is a major shipping task. Many of the buildings, for example, are being imported from the Philippines, some of the pipeline from Roma is being imported from India, and many other major components are sourced from China.

Of course there are many other industries beside gas in Gladstone and Dr Ken King, chief executive of the Gladstone Economic and Industry Development Board, points to the day when another 200mtpa of coal is predicted to arrive from the Surat basin south of Gladstone.

His organisation has prepared a highly detailed chart of who is or will be doing what in the district for the foreseeable future. For a greatly condensed version of this, see Who's Doing What on page 12

A couple of notable projects include adding Surat basin coal to the present supply which comes from the Bowen Basin. This will entail a new terminal being constructed at Surat.

Then there's Gladstone Pacific Nickel which still plans a refinery here but it hasn't got far since first proposed some six years ago. Like the Queensland Nickel refinery in Townsville, the project is owned by Clive Palmer who has been unable in three attempts to raise the $3 billion in Chinese investment necessary to make it happen. Questioned about it in Toowoomba last month he said only:

Dr Kenneth King

Gladstone by night

"Wait and see."

Gladstone has allocated the land required for his project but the company doesn't have to pay anything until the final investment decision has been made.

Then there is the coal port itself, a few years ago the hero of the region and now a distant second in the hero stakes to LNG, soon to become its most valuable customer. The harbour is the world's fourth-biggest coal port churning through some 70mtpa, a figure that will be more than doubled when its Wiggins Island Coal Export terminal is finally complete.

Stage 1 got underway just before Christmas with construction now completed of 250 workers' rooms and another 400 on the way. WICET, it is said, will eventually pave the way for a new generation of coal mines in the Bowen and Surat basins.

The development is actually on the mainland rather than the insignificant Wiggins islet after which it is named and will be built on land leased from the Gladstone Ports Corporation within the vast Gladstone State Development Area.

Stage 1 is expected to cost $2.5 billion and add more than $3 billion-a-year to Queensland's export income and create 800 construction jobs and 120 when operational. Looking to ship its first coal in 2014, begin Stage 2 the following year and then Stage 3, it will eventually double the port's capacity and handle ships from 40,000dwt to 220,000dwt to rival Newcastle as world No 1.

Mayor Gail Sellers on a sail-past of GNLG's Curtis Island construction site.

The Queensland government decided two years ago to leave future infrastructure funding of export coal to the industry. That led to the Wicet consortium and the Port Corporation raising their own funds and making their separate civic contributions to the city totalling $45 million most of which has been spent on improving the foreshore and the town's marina.

Fred de Waard is the council's project coordination manager and has his finger on pretty much all the $200 billion-worth of projects identified in its Strategic Plan.

"Our gas boom," he says, "has two parts – the preparation and the reality. The council intends to get contributions from the new industries to the community's future health and also to minimise any adverse effects."

"The council wants to establish a land bank and to develop affordable housing along the lines of a Queensland Government plan. Key infrastructure such as water and sewage are pretty much in place now and, while they haven't paid yet, the LNG operators have agreed to chip-in $13.5 million each."

"The best time to raise such massive contributions are, I must say, before rather than after all approvals are in place. You only get a good bite of the cherry while companies are seeking council approvals."

Total contributions under the state government's Voluntary Industries Contributions Framework are now some $105 million from the gas companies plus Wicet and the port's $45 million.

The council's Strategic Infrastructure Plan includes social impact management, and the intent is to get contributions from new industry to the community's future health and also to minimise adverse effects.

The council wants to establish a housing land bank and to develop affordable housing along the lines of the Queensland Government's plan.

Other civic ventures in place include:

1. Gladstone Affordable Housing Company being put in place and funded by $19.5 million from the three LNG companies to meet the Queensland's Co-ordinator General's requirement before projects are approved.

2. A $3m emergency strategy funded by the LNGs to help people finding it hard to rent. It offers up to six months' settling in assistance to young people such as apprentices and trainees as well as to police and other officials posted to Gladstone.

3. Gladstone Affordable Housing has already advanced $3.3 million to the Urban Land Development Authority which has three projects currently in-hand:

i. The Clintons Development, a mixed development of 250 small homes and standard houses. A number of houses have already been built and sold in land and house packages. The affordable homes are strategically placed throughout the estate; buyers go into a ballot to purchase them and they must be held for 12 months before they can be re-sold.

ii. Tannum Sands is a much bigger development located some 12 kilometres outside the city.

iii. An as yet un-named third development is at blueprint stage while Gladstone's eventual situation crystallises as the construction stage of all the new industries runs down and many workers leave town.

iv. Then there is the Phillip Street complex which is an old folks' home that will be funded in part by the Federal Government and which has also received a commitment from the LNGs through the Gladstone Foundation.

"Our community is a heated-up environment suffering growing pains from all the intense activity," Fred says. "Stabilisation won't happen until the major construction phase ends in about six years but that time frame may expand if the LNG plants expand beyond two trains each."

"That will depend on world demand for their product in the face of increasing world gas supplies. There's nothing new about coal seam gas; Queensland homes have been using it for cooking and heating for more than 15 years."

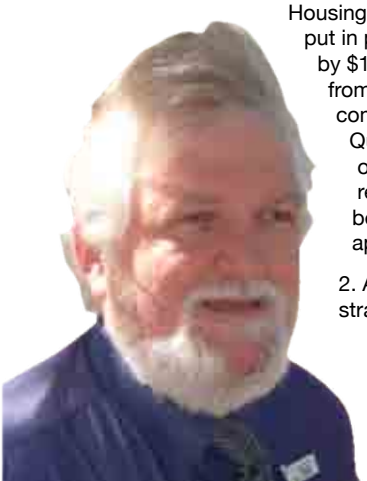
"What is new is converting the CSG into liquid natural gas that can be exported all over the world. It's a big new industry for Gladstone and our community is reaping substantial and obvious benefits that total close on $1.7 billion since 2010."

All this "billion" talk! Surely the most corrupting word we have. To make just $1 billion on a wage of $100,000-a-year would take one 10,000 years – provided you lived that long and didn't spend any of it!!

The WICET Stage 1 consortium:

Aquilla Resources, Bandanna Energy, Caledon Resources, Cockatoo Coal, Northern Energy, Wesfarmers Curragh, Yancoal, and Xstrata. All have signed take-or-pay contracts with WICET and Stage 2 companies will have to do the same; their contracts will underwrite the project's costs.

Agreement has also been reached for a $900 million deal with QR for rail links between the coal terminal and the Surat thermal coal province.



Fred de Waard

WOOLWORTHS

‘End-to-end logistics equations must be well understood and shared deeply within an organisation’

PAUL HILL, international logistics manager of Woolworths Limited, reviews developments in the international supply chain

Woolworths Limited’s sales for the first half of financial year 2012 were announced to the market in late January. Their sales came in at $29.7 billion, with 5 per cent growth across the business. In the half yearly comments, CEO Grant O’Brien noted that the business is facing significant deflation which is leading to unit volume growing faster than sales.

In the international logistics space the unit volume growth is being magnified. We are seeing TEU volume increases that significantly outpace the growth in both dollars and units being sold in stores. This growth is being driven by a number of factors over and above price deflation:

1. The high AUD is making offshore sourcing of packaged grocery and general merchandise products more attractive.
2. The business target to double the level of direct global sourcing over the next three years,
3. The Masters home improvement business is driving significant incremental volume. Ten stores have successfully opened with many more in the pipeline.
4. Vendor collaboration - Woolworths is working with a number of vendors to take ownership of product at the country of origin rather than at domestic distribution centres. Successfully executed, this can eliminate a number of steps in the supply chain and be beneficial to all parties, as well as removing and taking many trucks off Australian roads.

In the financial year ending June 2012, Woolworths’ international logistics team will manage the movement of over 62,000 TEUs into Australia and New Zealand from more than 190 ports around the world. The team manages the following activities across all Woolworths divisions in a shared services arrangement:

- Offshore consolidation and freight forwarding
- Ocean freight
- Domestic container and pallet handling up until handover to the divisional DCs
- Customs clearance and quarantine
- Finance and systems
- Continuous business improvement

The company is completing the final stages of a 10-year investment program into the Australian food and liquor supply chain network. The Mercury program commenced in 2002 and has successfully transformed our domestic logistics network into one of the most efficient in the country through the development of world class logistics infrastructure, systems and processes. During this period a significant level of logistics strategic expertise was established, including network modelling & design and project execution skills.

We are leveraging this capability to drive improved efficiencies into the international supply chain as well as into BIG W, Masters and our New

A liquor distribution centre in Brisbane

Zealand businesses. Three of the four senior managers in the international logistics team have recently transferred from the logistics development team with the aim of applying the key learnings from the Mercury program, to the international supply chain.

In the next few years the aim is to maintain or improve this operational capability high level of service and operational excellence whilst focusing on the following:

- Simplification of processes along the international supply chain through system and process development.
- Ensuring the interface between the international and domestic supply chains is optimised with all redundant steps removed.
- Detailed analysis of the supply chain from origin location to distribution centre to enable end to end optimisation.
- Establishing a solid commercial platform with our 3PL partners from which all parties can profit.

The aim is to create an efficient international supply chain that is seamlessly integrated with the domestic supply chain.

There are many other opportunities we are pursuing to improve the international supply chain. For instance, because we are a large and complex organisation we have a tendency within international logistics to treat all commodities similarly. However, with our commodity mix there are significant opportunities to manage different categories based on their specific needs.

A simple example is with seasonal apparel. There is no value to be gained by holding this product offshore waiting to optimise container utilisation if the BIG W division has the potential to lose significant sales by the delay. However, if it is a basic replenishment item with no possibility of going out of stock, then we do want to fully utilise the container. Whilst we want simple and consistent processes we must also be mindful of the trade offs that go beyond supply chain efficiency.

Another opportunity for us is to optimise where internationally sourced products are stocked within our domestic logistics operations. Land transport in Australia is expensive. It can cost more to move three or four pallets from Sydney to Perth than it costs to move one container from Shanghai to Perth. On this basis, it makes sense to stock imported products in the domestic distribution centres closest to the stores. By doing this we maximise the use of relatively cheap sea freight and minimise land freight

Logistics education is also very important. In large organisations there are a lot of people making decisions every day. At the same time, there are complex trade offs that need to be taken into account when making those decisions. One of the important things that we can do in the logistics industry is to ensure that the end-to-end logistics equations are well understood and that this knowledge is shared deeply within the organisation.

This serves a number of purposes: Firstly, in some instances, the initiatives that companies create to optimise performance would not be necessary if good decisions were made up front; secondly by developing a deeper logistics knowledge across the organisation more people are capable of identifying new opportunities; thirdly it puts greater power in the hands of the people negotiating deals when they have detailed knowledge of logistics costs.

Our international logistics team is working hard to develop and implement opportunities to improve service and lower the logistics costs of the goods that we import. We are also seeing many of our international logistics business partners taking steps to improve productivity within their businesses.

However, there are key parts of the international supply chain that do not appear to be making as much progress on improving productivity. The most significant of these is the Australian ports. Over the last few years we

Inside the Brisbane liquor distribution centre

Woolworths Tasmanian regional distribution centre

have seen growth in local port service charges that far exceed the CPI. We also know that the most productive ports in the world can move close to 40 units per crane hour whilst the three key Australian ports generally operate in the mid to high 20's and at times have productivity in the low 20's.

The productivity issue is exacerbated by industrial action and, in some locations, poor port infrastructure. The end result is higher costs for shipping companies, higher costs for importers and exporters and higher costs for consumers. For retailers this also creates the risk of delayed product that can lead to out of stocks in stores if vessel unloads are delayed, or vessels change rotation, due to port congestion. This is an issue that needs to be addressed.

In recent meetings with major ocean carriers a common theme was the inefficiency of Australian ports. One significant carrier estimated that Australian port productivity increased their costs by many million of dollars per annum.

Woolworths supports moves by the state governments to develop infrastructure that enables the more efficient movement of containers out of congested port areas. We have actively engaged with Infrastructure Australia and a number of state government bodies to provide input into the proposed location of inland ports and other transport infrastructure.

Based on the current cost structure the movement of containers from ports to our distribution centre is usually most efficiently undertaken by road transport. Our DCs are generally located within 40 to 50 kilometres of the port. On this basis, it is not viable to shuttle 40 kilometres via rail to an inland port, then take the container off the train and move by road for the final 10 kilometres.

Inland ports could be very useful for freight forwarders and other logistics 3PLs who build warehouse infrastructure around the inland ports to service small to medium importers and exporters. While we are increasing our use of rail over longer distances, for shorter distances between ports and existing warehouse locations the company would be better served with improved road infrastructure that allows the use of higher productivity vehicles to move containers.

Another interesting dynamic in international logistics is the nature of the ocean freight businesses. Whilst the logistics principles of the international supply chain are generally consistent with those of the domestic supply chain, the commercial dynamics of the international supply chain are quite different, particularly those of ocean freight.

The current relatively low rates for ocean freight are good for the business in the short term. However, many ocean carriers are losing money at current rates and the business cycle will swing again in favour of the shipping companies at some time in the future.

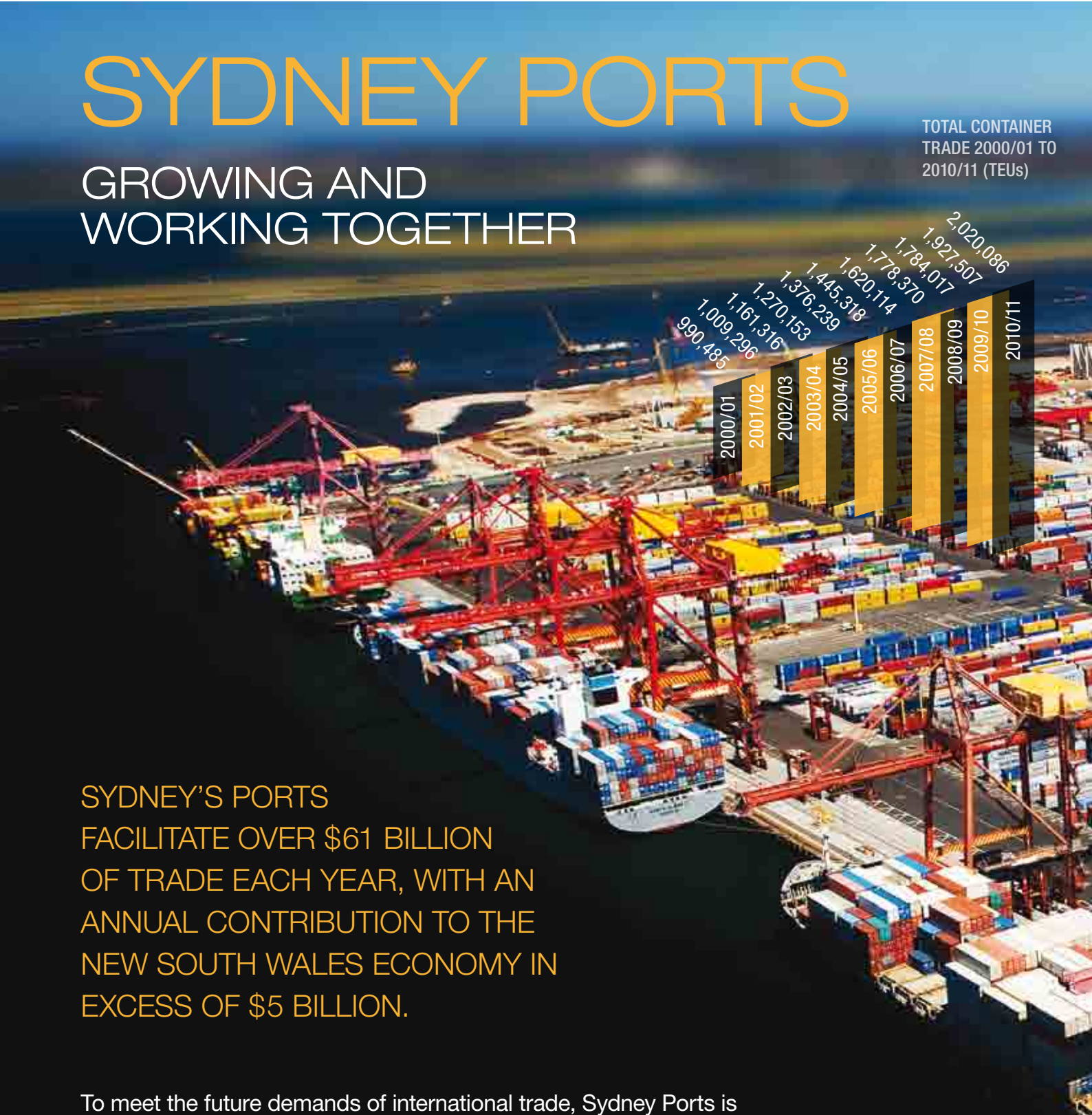
"It would be more efficient for all involved to pay a sustainable rate for ocean freight that varies based on the volume that a business moves."

This would enable shipping companies and retailers to make sound investment and sourcing decisions and would remove the inefficiencies caused by unnecessary volume and price swings. This issue has been around for some time in international logistics but it is one probably worth solving.

In summary, international logistics in Woolworths is an exciting place to be. We are involved in a dynamic and interesting part of the supply chain to which not a lot of people get the opportunity to be exposed to. We are working in a part of the company that is experiencing strong volume growth. We have a highly capable team in place and we are executing a set of initiatives that will deliver great benefits in terms of lower costs for the business and better service to our customers.

SYDNEY PORTS

GROWING AND WORKING TOGETHER



SYDNEY'S PORTS FACILITATE OVER $61 BILLION OF TRADE EACH YEAR, WITH AN ANNUAL CONTRIBUTION TO THE NEW SOUTH WALES ECONOMY IN EXCESS OF $5 BILLION.

To meet the future demands of international trade, Sydney Ports is increasing capacity at Port Botany with the construction of a third container terminal. The $1 billion Port Botany Expansion is due to be operational in 2012, providing more options for importers and exporters.

For the latest trade information and port developments please visit **www.sydneyports.com.au**

SYDNEY PORTS

www.sydneyports.com.au

SHIPPING REFORM – will it bring a revival?

SANDY GALBRAITH, a director and partner in the maritime consultancy firm Thompson Clarke, examines the prospects for positive outcomes from the Federal Government's shipping reform package

BACK in the mid-1990's the former ANL chairman Bill Bolitho issued a warning that Australia's shipping industry was in grave danger of withering and dying on the branch; a comment that came as the then Federal Labor Government attempted to sell off the troubled national shipping line.

The Federal Transport Minister at the time, Laurie Brereton, famously stated that the line's fiscal situation was so parlous that "you couldn't give it away". Arrant nonsense of course, as history proved, with ANL's key constituent parts – the shipping operations and the ship management arm, ASP – sold at what were generally regarded as acceptable market prices. Today, these operations are still very much active participants in our domestic and international shipping industry.

Whether Bill Bolitho was displaying acute prescience or whether it was inevitable in any case, subsequent events proved him to be largely correct. The Australian shipping industry may not yet be dead, but certainly it is in dire need of life support, for the number of Australian licensed trading vessels has been allowed to decrease at an alarming rate - from 55 in 1996 to below 25 now.

This decrease in ship numbers has resulted in a shortage of domestically generated maritime skills that not only affects the shipboard side, but a broad range of shore-based associated activities that have traditionally relied on a regular supply of labour from the sea.

Just as an example, take a look around our ports today and see how many employ Australian-trained harbour masters. The answer is very few. Ask a port manager who he or she would prefer to employ and all too often the answer is that they would opt for a person who had experience working overseas.

This is not a reflection on the training that is to be had here in Australia; it is more a belief that the atrophy that has existed in our industry for almost two decades has failed to produce the dynamism and fresh thinking that comes with working in a growing and buoyant industry.

Careers spent aboard perhaps a handful of unchanging, increasingly elderly ships on restricted trading routes calling into the same ports time after time do not tend to encourage innovative thinking. How often does one hear the comments "set in their ways" when discussing Aussie seafarers?

And all too often this perception remains when they come ashore to seek employment.

Shipping shifts nearly a billion tonnes of iron ore, coal, wheat and other goods in and out of Australian ports every year. This volume is growing but as a nation, we've lost a stake in this vital industry.

Sadly, what you observe when you look out to sea are rarely Australian ships - as there isn't enough incentive for investment in Australian shipping.

It was against this rather grim backdrop that the current Labor Government, with strong encouragement from the Australian Shipowners Association (ASA) and the maritime unions, produced the Stronger Shipping for a Stronger Economy shipping reform package that was announced by the Minister for Infrastructure and Transport, Anthony Albanese, on 9 September 2011. The aim of this reform is to position the Australian shipping industry to take advantage of opportunities provided by an expanding export market.

New coastal shipping arrangements are due to come into effect on 1 July 2012. The Bills that form the Stronger Shipping for a Stronger Economy reform agenda were introduced into Parliament on 22 March 2012.

Both the ASA and the Maritime Union of Australia (MUA) have been vocal in their support of these initiatives, but judging by the submissions that were provided by industry stakeholders for all the exposure drafts of Bills released in February 2012, the support is far from universal.

The ASA has commended the focus of the Government on shipping for the past four years, recognising that the design of the complete shipping reform package was aimed to level the playing field by making Australian shipping more competitive.

The MUA said the five shipping reform Bills would restore fairness and transparency to the way shipping participates in the domestic freight market.

Through establishing a fair and transparent regulatory framework, which balances the requirements of ship owners and operators on one hand with shippers on the other, the government will be promoting healthier competition, the union said.

It believes the package is actually likely to result in new shipping entrants into what are currently monopoly markets.

Not surprisingly, it is the Bills relating to coastal trading that have drawn the greatest ire from critics.

The Australian Logistics Council (ALC) has written to all parliamentarians seeking their support for amendments to the Coastal Trading Bill so that the Bill's objectives explicitly recognise the importance of the economically efficient movement of cargo.

ALC managing director Michael Kilgariff observed that no mention is made in the

Act's objectives of the need to ensure the economically efficient movement of freight, nor is there any reference to ensure the continued viability of the industry dispatching the freight.

Maintaining an Australian coastal fleet is an important policy goal, but so too is the efficient movement of cargo, particularly when you consider Australia's national freight task is set to double by 2030 and to almost triple by the year 2050, he said.

Mr Kilgariff said the second amendment related to the eligibility to apply for a temporary licence. Under the draft bill, an application for a temporary licence is subject to a minimum of five voyages.

The ALC chief believes there is no logical reason why a shipper cannot apply for a temporary licence if a single voyage is anticipated over the relevant 12 month period should the commercial need emerge.

In the absence of an explanation why the arbitrary figure of five voyages was picked, the ALC proposes the five voyage threshold for eligibility to apply for a temporary licence is removed from the legislation.

Cargo interests are extremely unhappy with the proposals as they stand and indeed the Cement Industry Federation (CIF) believes that rather than breaking current monopolies, the new reforms would most likely reinforce them.

The cement industry uses specialised vessels for their trade on the coast on long term (more than 10 year) affreightment contracts. Due to the relatively small size of the market, the industry argues that it is difficult for a large number of ship owners to exist viably in a commercial sense, thus the market has naturally developed with a dominant provider.

The CIF believes the draft legislation will encourage the current provider to register their vessels as general licenced vessels, providing them with automatic and legislated priority on all cement cargoes on the coast. This change will be placed before the expiry of the term of the current shipping commercial arrangements with cement companies and therefore, by default, give the current provider a monopoly on all cargoes.

It argues that the proposed Coastal Trading Bill 2012 will ensure that a third party will have difficulty in entering the Australian market as the current provider's general licenced ships may automatically be allocated the cement cargoes irrespective of the commercial cost difference.

On the tanker side, BP Australia considers the objective for creating a sustainable and competitive industry is also undermined by tightening the cabotage regime.

BP notes the additional cost of employing a ship in Australian cabotage trades is $4.0 million per annum based on 2010 costs. These costs are not borne by international refineries moving 200 shipments of diesel and petroleum into Australia per annum. BP concluded that "although the high cost of Australian coastal shipping is unlikely to result in the closure of our refineries alone, it will certainly assist any commercial decision to do so."

Recent events in the petroleum industry clearly bear out the importance of coastal shipping costs as far as refinery ports are concerned because Shell have declined to extend their charter of the tanker Araluen Spirit and will not be seeking a replacement.

The decision by Shell to close the Clyde refinery, questions over Caltex's Kurnell in New South Wales and Lytton in Queensland facilities and the development of increased storage capacity in major diesel markets like Mackay demonstrate how the coastal supply of diesel can be replaced with product imported from modern, efficient refineries in Singapore or even India.

On the container side, the historical trade imbalance between the West and East coasts of Australia has long been debated within the industry. Beyond the introduction of the hubbing concept on for example, the South East Asian trade through Fremantle (which already has capacity issues), the flow of cargo east from Western Australia is a perennial and probably insurmountable problem.

Attempts in recent years to operate coastal East-West coasts services have only served to highlight this problem. Stevedoring costs are seen as a key inhibitor to coastal shipping, particularly with transshipments, where handling costs have a multiplier effect.

There are also certain operational benefits for international container operators in the current system. These include the ability to carry empty boxes to Port Adelaide and Fremantle from the larger east coast ports. If they were to lose this ability then they could experience difficulties accessing rail space in the high seasons.

Australian ports have three major concerns: the loss of trade to road and rail - this will impact some dry bulk business and potentially the coastal container trade; the loss of coastal movements to imported product - the oil industry has already shown the capacity to replace coastal cargoes with imported petroleum products; and the loss of potential business, particularly dedicated services.

Shipping companies involved in the container trade are naturally reluctant to talk about any plans they may have arising from the shipping reform package, but empirical evidence would suggest that they do not appear hopeful.

The lines are primarily concerned that the proposed cabotage model would result in a shift away from sea cargo to road and rail as well as a potential loss of dedicated services.

The general consensus is that unless there is a "left field" entrant, the reforms will not see any formal coastal shipping entrants to the trade in the foreseeable future.

The lines assert that a lot of industries depend on coastal trading – and large volumes move in containers – and there is no one currently there to fill the gap if cabotage is reintroduced.

As past attempts by coastal entrants have demonstrated, coastal freight rates will go up in order to pay for Australian crews. Exacerbating the problem is the fact that there simply are not enough mariners to man any additional ships – with high wages being paid on offshore supply ships operating out of Western Australia any new coastal shipping line would struggle to attract quality crews.

However, the overriding push factor is that there is currently little confidence that the Labor Government will remain in power beyond this term and there is a strong view that an incoming Liberal Coalition Government would quickly dismantle these reforms.

The S.S. Ormiston, the first passenger-cargo ship to be withdrawn from the coastal trade due to competition from land transport.

PILOTS' PLANS IMPROVE SAFETY ON THE REEF

Long regarded as "The Guardians of the Reef", Australian Reef Pilots have announced major development plans which will significantly improve shipping safety in the Great Barrier Reef and Torres Straits. The implementation of the revised Marine Order Part 54 on 1st July 2011 has given Queensland coastal pilotage provider, Australian Reef Pilots, (ARP), direction with its investment strategies for future high quality service to the industry.

ARP CEO, Simon Meyjes, has outlined to SAL the company's investment plans to ensure that future increases in traffic through Torres Strait and the Great Barrier Reef are serviced reliably.

An upgrade of the company's marine pilot transfer fleet has already commenced with the purchase out the Netherlands and relocation of pilot vessel "Malu Bau", (pictured above), to the Thursday Island pilot station.

The $2m, 19 metre aluminium vessel provides enhanced operating safety and pilot comfort to meet stringent MO 54 regulations and is vital for all weather marine pilot transfer in Torres Strait. This area encountered extraordinary weather patterns earlier this year. The vessel is fully classed to Lloyd's Register Rules +100A1, Pilot, Mono, G3.

It is powered by twin Volvo Penta D12 engines @ 650 HP drive FF450 Rolls-Royce Kamewa water jets through ZF reverse reduction gearboxes to provide a range of 400 nautical miles at 20 knots cruising speed. It can accommodate two crew and 6 passengers in air-conditioned comfort within an acoustically insulated wheelhouse and two single cabins. This vessel is a major step forward in technology, safety, all weather capability and pilot comfort and has been supported by increased resources and up-skilling of ARP engineering staff to maintain the high level of operational intensity required in coastal pilotage.

ARP also has a 14.2m GRP self-righting shaft driven pilot boat under construction at Norman Wright and Sons in Brisbane. The boat is scheduled for completion in September 2012 and will be home ported at Cairns.

The company is also developing a new self-launching pilot boat for positioning at the company's Yorke Island pilot station at the eastern end of the Great North East Channel. Innovation will be the key with this vessel being required to meet the special requirements called for in this remote location.

With the forecast increase in Reef traffic, ARP has committed to increasing its pilot strength by around 30 percent requiring considerable investment in advanced marine pilot training and additional support staff.

To assist with increased industry regulation, logistics, fatigue management, maintenance and customer service requirements, an investment of around $200,000 has been made with the implementation of a custom built CRM dispatch system named Ulysses. The system became operational in December 2011.

Amid calls from green groups to restrict the growth of shipping inside the Great Barrier Reef Marine Park, ARP is responding to the challenge by committing to provide an enhanced coastal pilotage service to help ensure any potential risks to the environment are safely managed.

Watch out for the Asian Gypsy Moth

Asian Gypsy Moth is a destructive invasive pest species exotic to Australia and has a potential to cause major environmental and economic damage. A major outbreak in Australia could devastate forests and native bush, street trees, crops and the communities that depend on them.

Asian Gypsy Moth (Lymantria dispar asiatica) represents a major quarantine risk because its caterpillars feed aggressively on the leaves of up to 600 species of trees such as oak, birch, aspen, eucalyptus, holly, rose, fruit trees and ornamental plants. Adult moths can fly up to 40 kilometres and the emerging larvae can drift on silken threads up to 8 kilometres.

The most likely mode of possible introduction of Asian Gypsy Moth into Australia is from egg masses that have been deposited on vessels, on their cargo and containers and the hatching larvae travelling ashore by dispersing widely in the wind. The moth is attracted to light and there is the potential for eggs to be deposited on ships, aircraft and vehicles at brightly lit urban parking lots, airports and seaports. High population densities for Asian Gypsy Moth are between July and September in Far East Russian and North Asian ports.

DAFF Biosecurity has commenced the 2012 Asian Gypsy Moth inspection trial, which will monitor all ports south of the Tropic of Capricorn for vessels arriving directly from selected ports in China, Japan, Russia (Far East), South Korea, North Korea and Taiwan. Surveillance will be specific to commercial cargo vessels, including – but not limited to – bulk carriers, container ships and RO-RO vessels.

DAFF Biosecurity proposes to conduct an expanded trial during this year's Asian Gypsy Moth season, including five additional species of the moth and 26 additional ports. These new species have the ability to settle anywhere in Australia and cannot be ignored.

Masters and ships' crew should remain vigilant for Asian Gypsy Moths and egg masses. Each egg mass can contain over 1,000 eggs and is covered with buff yellowish hairs. Egg masses average about 38 mm long and about 20 mm wide, but may be as small as a 5 cent coin. Each egg has a diameter slightly greater than 1 mm. The adult female moths are white with black markings with a wingspan of 50mm or more and the adult male moths are greyish brown with a wingspan of about 38mm.

DAFF Biosecurity recognises that an increase in inspections for Asian Gypsy Moth could impose significant additional costs on the shipping industry. To address this, DAFF Biosecurity has developed a streamlined inspection regime that reduces inspection times from six hours to just one hour. If any Asian Gypsy Moths are detected, the vessel will receive a more thorough inspection.

More information on Asian Gypsy Moth is available from the DAFF website: http://www.daff.gov.au/aqis/quarantine/pests-diseases/plants-products

NZ pest threatens Australia

The season for Burnt Pine Longicorn (Arhopalus ferus synonymous with A. tristis) came to a close on 20 April 2012. Burnt Pine Longicorn is not known to occur in Australia; however, this species is established in New Zealand and its possible introduction threatens Australia's unique pest and disease status.

DAFF Biosecurity and the New Zealand Ministry of Primary Industries (NZMPI) worked closely throughout the Burnt Pine Longicorn Season, which occurs annually between November and April to monitor vectors with the objective of preventing incursion into Australia. All cruise vessels coming from New Zealand were required to complete a questionnaire prior to berthing in Australia.

During the trial period 42 vessels visited with 16 vessels identified as high risk. As a result, Burnt Pine Longicorn was detected on 3 vessels. The implementation of the questionnaire has helped DAFF Biosecurity identify the likelihood of each vessel carrying Burnt Pine Longicorn and directs our focus towards vessels with the greatest risk.

DAFF Biosecurity would like to thank you for supporting our work, in consultation with the NZMPI, through the Burnt Pine Longicorn season.

For more information on Burnt Pine Longicorn and the associated biosecurity risks, refer to the pest guides on the DAFF website (www.http://www.daff.gov.au/aqis/quarantine/pests-diseases/forests-timber/burnt-pine-longicorn).

Australian Government

Department of Agriculture, Fisheries and Forestry
Biosecurity

Threatening Australia's biosecurity
The Asian Gypsy Moth

The Asian Gypsy Moth is an exotic pest often found on forest products, ship hulls and rigging, cargo containers and vehicles, pallets, logs and aircraft.

As a caterpillar it can cause significant damage to Australia's forests, horticulture and urban trees.

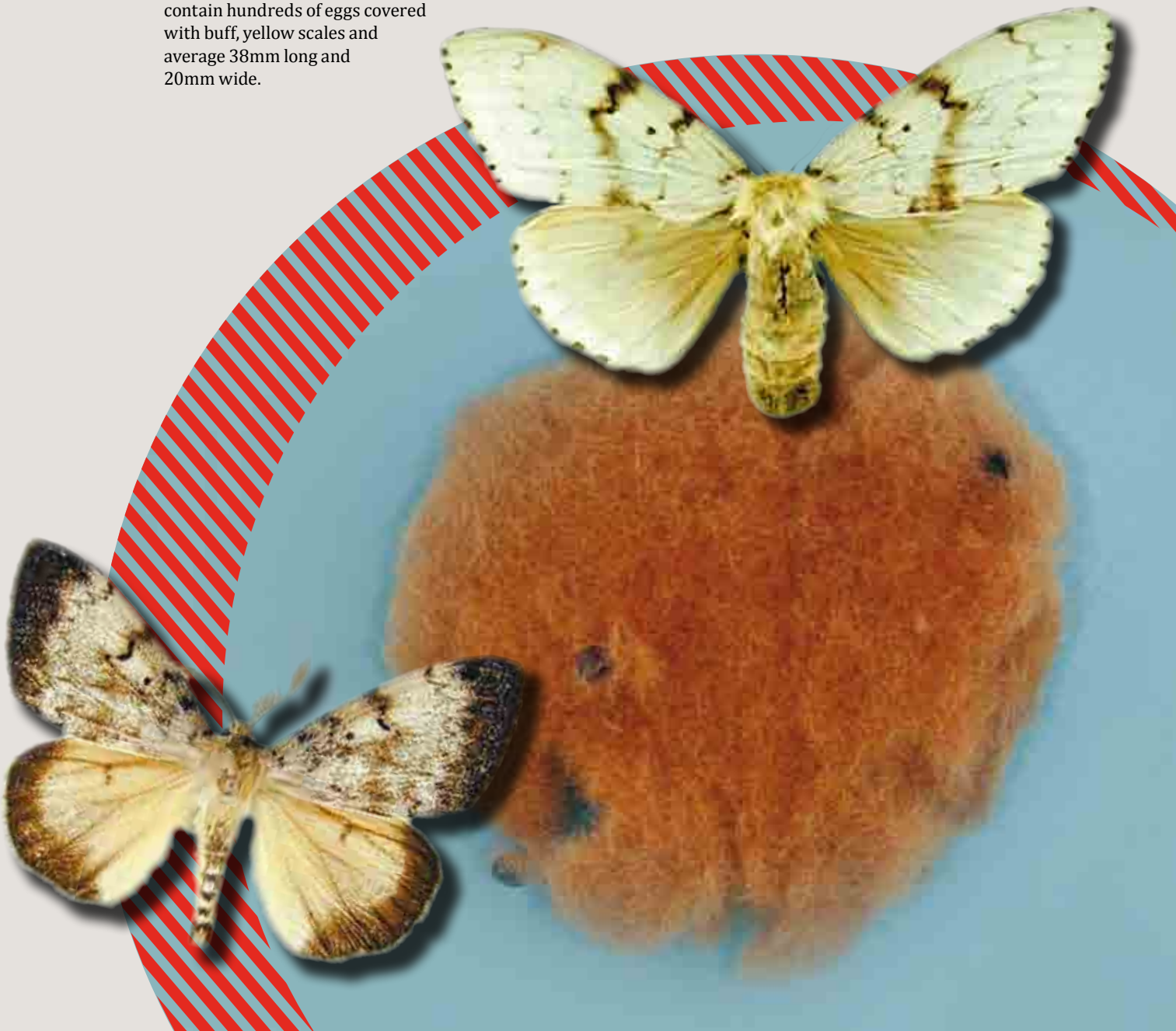
Newly hatched larvae can live for up to a week without food allowing them to move to a new host plant to begin feeding on new foliage.

Identification:

Egg masses (shown below) contain hundreds of eggs covered with buff, yellow scales and average 38mm long and 20mm wide.

Report sightings to DAFF Biosecurity on 1800 020 504.

Play your part and help safeguard Australia's biosecurity.



ECONOMY

Business conditions post farm-gate pull back in early 2012

By MICHAEL CREED, NAB agribusiness economist

Following a sizeable improvement in December, business conditions within the post farm gate agribusiness sector pulled back in the March quarter, with the index falling 12 points to settle at minus 10 points.

Driving the fall in business conditions were declines in each of the components that make up the business conditions index, with trading conditions recording the sharpest fall (down 14 points) while both profitability and employment recorded falls of a similar magnitude.

Interestingly, the collapse in business conditions appears to have been due to a broad range of factors, including pressure to lower product prices, availability of suitable materials and availability of labour while the persistence of a stubbornly high AUD managed to see a decline in export sales.

At the same time, weak consumer demand appears to have become less of a constraint to the sector, possibly indicating that the recent weakness in business conditions could be unwound in the coming quarters. Nonetheless, confidence and near-term expectations are still fairly weak.

Given that expectations are often framed by the most recent experiences, it is hardly surprising that expectations in both the short-term (3 months ahead) and medium-term (12 months ahead) have weakened. However, the degree of pessimism in the sector has lifted considerably.

The index corresponding to expectations for 12 months ahead now sits at its lowest level since June 2009 and if we exclude the global financial crisis from the sample, this would be the lowest level the index has ever hit.

In other words, the level of euphoria evident in the industry through late 2010 and early 2011 has well and truly worn off as a range of constraining factors appear to be impacting both conditions and confidence.

The silver lining in the March quarter result came from an increase in the capacity utilisation rate. Idle capital had generally been a drag on the sector for the past 12 months, hitting its lowest level on record in September.

In the March 2012 quarter, capacity utilisation was up 2 percentage points to 78.7 per cent, its highest level since December 2010 and within 1 percentage point of its historical average.

Over the coming quarters, we expect recent improvements in capacity utilisation to be maintained.

The 2012-13 crop outlook looks strong while livestock products is expected to grow, this in turn should see increased demand for post farm gate services. This is evident in the sector's concerns around customer demand easing through the quarter.

Post farm gate agribusiness confidence in crops and fibres was relatively mixed in the March quarter. confidence in wheat pulled back sharply, falling 17 points with the index reverting to a level more consistent with its long-run average. In contrast, confidence in sugar was relatively flat through the quarter, easing just 1 point. Confidence in wine remained in negative territory for the third consecutive quarter in March, with the index falling 5 points to hit minus 10 while confidence in other crops saw a modest improvement, up 4 points.

Post farm gate agribusiness confidence in animal protein was generally weaker in the March quarter, with confidence in beef, dairy and sheep meat all pulling back. Helping to explain the weakening in confidence has generally been the decline in prices evident for each of these commodities. Global prices for dairy products have been pulling back since peaking in March 2011 as the production outlook across all of the major exporters has generally strengthened while beef and lamb prices are also down on a year ago.

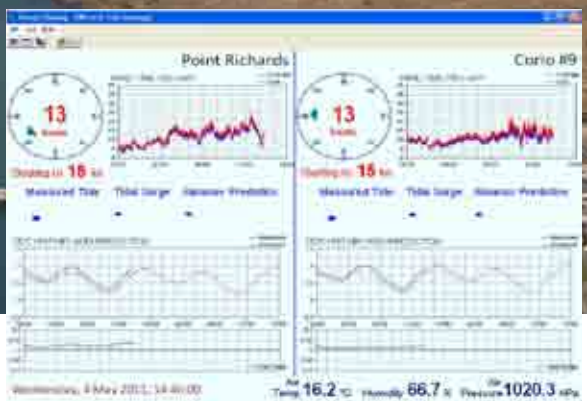
In contrast, agribusiness confidence in poultry has generally strengthened in line with the exceptional pace in Australian poultry production evident since late 2010.

Unlike crops, agribusiness confidence in fibres surged in the March quarter with confidence in wool up 8 points while confidence in cotton was up 13 points. This result was somewhat surprising considering that cotton prices fell in the quarter while the global economic outlook weakened (demand for fibres tends to be more responsive to income shifts than other agricultural commodities). It appears that industry confidence in fibres is still very much underpinned by the solid outlook for Australian cotton production, while wool confidence is underpinned by a critically tight global supply situation.

Confidence in farm chemicals fell for a fourth consecutive quarter in March, with the index now sitting at its lowest level since December 2009. Similarly, agribusiness confidence in farm equipment was down, also falling to its lowest level since December 2009. Confidence in farm equipment is now planted firmly in negative territory at minus 8 points.

Welcome to the port waters of Geelong

Every ship that visits the Port of Geelong needs to know it can get in and out safely and efficiently.



The port handles more than 600 ships and more than 12 Million tonnes of bulk cargo. The Victorian Regional Channels Authority has invested in marine logistics and control systems to ensure safe access for all ships.

The channel has high-visibility GPS controlled lights and beacons. The VRCA's 24/7 marine traffic management system uses equipment such as automated ship identification (AIS), very high frequency radio (VHF), mobile telephony, satellite communications and state-of-the-art real-time tide and wind sensors, available online.

A Smart Dock system enhances the ability of even the biggest ships to berth safely in all weathers. The VRCA also commissions annual hydrographic surveys.

The VRCA welcomes ships visiting the Port of Geelong.

Victorian Regional Channels Authority

Level 2/235 Ryrie St, Geelong / GPO Box 1135, Geelong, VIC 3220 03 5225 3500
admin@regionalchannels.vic.gov.au www.regionalchannels.vic.gov.au

NSW court rules that container dentention charges are not a penalty

By ROBERT WILSON, partner, Norton White Lawyers

On 26 March 2012, Judge Rolfe of the District Court of New South Wales handed down a decision in which his Honour found that container detention charges under the relevant contracts are valid and payable in full. Importantly, the judge held that the obligation to pay container detention charges under those contracts is not contingent on any breach of contract and that, as a consequence, the charges were held not to be a penalty.

The claim was by COSCO Container Lines Co. Ltd and its Australian agent, Five Star Shipping & Agency Company Pty Ltd, for container detention charges owed by a freight forwarding company, Unity Int'l Cargo Pty Ltd. Unity was the named consignee on the relevant COSCO Sea Waybills under which the goods and the containers the subject of the charges were shipped.

In June 2006, Unity entered into an agreement with COSCO/ Five Star governing the use of COSCO's containers ("the ImportNet Agreement"). This agreement expressly incorporated the terms and conditions of COSCO's standard Bill of Lading/Sea Waybill and its Equipment Handover Agreement (discussed below). Under the ImportNet Agreement, COSCO agreed to loan containers to Unity on terms which included the payment of container detention charges by Unity.

In October 2009, Unity was the named consignee on various COSCO Sea Waybills under which 19 forty foot containers of fibreglass wool were loaded onboard the M/V "Ling Yun He" and shipped from Xingang, China, to Sydney and Brisbane, Australia. The ultimate receiver of the goods was a company called Global Fibreglass Services Pty Limited.

When the containers arrived in Australia, Cosco/Five Star issued an electronic delivery order to Unity in respect of each container as agreed under the ImportNet Agreement. Unity passed the delivery orders to Global Fibreglass so that Global Fibreglass could take delivery of the goods and the containers. At no time during the transaction did Unity have physical possession of the goods and the containers.

The goods and containers were delivered to Global Fibreglass. The containers were returned to COSCO/ Five Star after the 10 days free time had expired. Significant charges had accrued under the tariff for the use of the containers after the 10 free days. Five Star issued invoices to Unity as the named consignee for the container detention charges owing on the containers in accordance with the ImportNet Agreement.

As a matter of commercial practice, Unity would ordinarily look to the receiver of the goods (Global Fibreglass) to reimburse them for any payments that they are required to make to the carrier for container detention charges. When Unity sought funds from Global Fibreglass for the container detention charges owing by Unity to COSCO for the use of the containers, Global Fibreglass was unable to pay and ultimately went into liquidation. This meant that Unity, as the consignee under the COSCO Sea Waybills, owed container detention charges to COSCO/Five Star, but Unity was not able to pass those charges on to the receiver, Global Fibreglass, in the usual way.

Unity did not pay the amounts owing to COSCO/Five Star for container detention charges and COSCO/Five Star commenced proceedings in the District Court of NSW.

Article 1 of the Equipment Handover Agreement, which was incorporated into the ImportNet Agreement and re-printed on each Delivery Order, provided that:

"The equipment is loaned to the merchant (the merchant includes the consignee/notified party or the receiver of the goods) on the terms and conditions provided and is subject to the payment by the merchant to the company of container demurrage charges as set out in the COSCO demurrage policy."

Article 4 of the Equipment Handover Agreement provided that:

"…the merchant shall be responsible to the Company [COSCO/Five Star] for the performance of the terms and conditions herein provided notwithstanding that the equipment

may be in the possession, use or operation of any other person…"

Clause 6 of the ImportNet Agreement contained the following provision pursuant to which Unity agreed to loan the containers:

"That all equipment and/or containers, once emptied, are to be returned to the nominated container depot(s) in a clean, dry and undamaged condition within the time stipulated by the applicable tariff. Should this not occur, the charges as outlined in the said tariff governing the carriage of cargo will expressly apply"

Clause 9(2) of the COSCO Sea Waybill is in the following terms:

"If Carrier's Containers and equipment are used by the Merchant for pre-carriage or on-carriage or unpacked at the Merchant's premises, the Merchant is responsible for returning the empty Containers, with the interiors brushed, cleaned and free of smell to the point or place designated by the Carrier, its servants or agents, within the time prescribed in the Tariff and/or required by the Carrier. Should a Container not be returned within the aforesaid time, the Merchant shall be liable for any detention, demurrage, loss or expense which may arise from such non-return."

The relevant free time periods and charges after the expiration of free time were notified to Unity.

Unity sought to argue that the container detention charges owed to COSCO/Five Star were a penalty at law. If Unity could satisfy the Court that the charges were truly a penalty at law then the charges would be void and unenforceable.

In Australia, if the obligation to pay container detention charges does not arise because of a breach of contract, the charge is not a penalty. The doctrine of penalty is attracted where the contract stipulates that, upon breach, the contract-breaker will pay an agreed sum and that sum exceeds what can be regarded as a genuine pre-estimate of the damage likely to be caused by the breach. In this regard, there are two key elements of penalty:

1) That the contractual liability to pay a stipulated sum is engaged upon breach of contract (see O'Dea v Allstates Leasing System (WA) Pty Ltd (1982-1983) 152 CLR 359 at 390; AMCV-UDC Finance Ltd v Austin (1986) 162 CLR 170 at 185; Interstar v Integral (2009) 257 ALR 292 at 231 per Allsop P, Giles an Ipp JJA agreeing) and;

2) That the sum sought to be imposed is an unreasonable pre-estimate of the loss that is likely to be suffered as a result of the breach (see Ringrow Pty Ltd v BP Australia Pty Ltd (2005) 224 CLR 656 at 662).

As a starting point, in Australia the Court will not intervene to relieve a party from a contract on the mere ground that it proves to be onerous or imprudent; see AMCV-UDC Finance Ltd v Austin. However, if the above two elements can be satisfied, then the agreement will be void and unenforceable.

Unity argued that, having regard to the wording of Clause 6 of the ImportNet Agreement, the late return of containers gave rise to a breach of contract and therefore the charges that followed were in the nature of a penalty.

COSCO/Five Star argued that the late return of the containers did not give rise to a breach of contract and that the obligation to pay container detention charges arose from the agreement by Unity that after the 10 days expired the containers were loaned to them at the agreed rates outlined in the tariff. In other words, the container detention charges were simply an agreed price for the loan of the containers if they are used by or on behalf of the consignee after a period agreed between the parties, which here was 10 days after the container was made available for collection.

Judge Rolfe rejected Unity's argument that the obligation to pay container detention charges arose due to a breach of contract. His Honour held that although there was an obligation on Unity to return the containers at the conclusion of the 10 days free time, the parties had agreed that, in return for COSCO loaning the containers, Unity would hire them until their return at the agreed contractual rates. His Honour held that this was a separate obligation not contingent upon any breach by Unity. Looking at the agreement this way, therefore, the provisions relied on by COSCO/Five Star were not penalty.

The judge did not, therefore, need to go on to consider whether the sum sought to be charged by COSCO/Five Star was a reasonable pre-estimate of the loss that was likely to be suffered by them.

Whilst this case held that container detention charges are valid, it is important to remember that it is concerned with the contractual arrangements between COSCO/Five Star and Unity. Whilst those arrangements reflect usual industry terms, the precise terms of relevant contracts such as the Bills of Lading/Sea Waybills and equipment handover agreements do vary between different Carriers and their customers. The question of penalty is always to be determined by an examination of the individual contract(s) governing the relationship between the parties.

TRAINING VITAL TO HEALTHY SHIPPING FUTURE

By ROBERT ADAMS, CEO,
Transport & Logistics Skills Council

The Transport & Logistics Industry Skills Council's 2012 Environmental Scan acts as a "warning system" for the key industry sectors by identifying which occupations will be in skills shortage over the next 12 months and why.

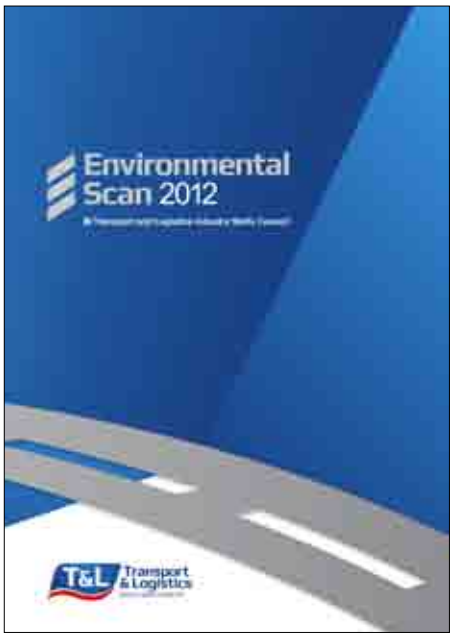
With Australia's sea freight task forecast to double by 2025, the ongoing success of Australia's maritime industry hinges on the supply of a highly skilled workforce, according to Transport and Logistics Industry Skills Council (TLISC) Chief Executive Officer Robert Adams.

"Australia's pipeline activity is going to continue to grow, driven primarily by the development of the natural gas fields located around Australia," Mr Adams said. "This will put human resources pressures on other areas of the maritime industry."

However, despite reports of no shortage of applicants applying for jobs in maritime, qualified personnel are in short supply and many of maritime's sectors are suffering from chronic skills shortages limiting the industry's growth.

Mr Adams said the role of training in helping to solve this problem is paramount.

"There is little evidence to indicate that younger workers are entering the Maritime sector in sufficient numbers to counterbalance the rapidly ageing workforce," Mr Adams said. "Compounding this problem, efforts to attract new workers are hampered by the high cost and the length and complexity of the existing training requirements."



TLISC is charged with driving the skills and workforce development agenda across the entire transport and logistics industry which encompasses activities in road transport, warehousing, rail, aviation, maritime, logistics and ports. TLISC develops high quality maritime training products and services to support excellence in training and assessment outcomes across the industry.

Another function of TLISC is to produce the annual Environmental Scan (E-Scan), which is a key publication and is built on extensive consultations with key stakeholders across the transport and logistics industry. The document informs wider participants in the industry and is a driver for policy change across the diverse sectors covered in both the transport and logistics industries.

In an address to Shipping Australia's human resources group on 15 May, 2012 about the challenges and opportunities for this key sector of the T&L industry, Mr Adams discussed a number of issues that are impacting specifically on the maritime sector.

As part of its findings, the 2012 E-Scan identified the following skills as 'in demand' across the maritime industry:

- Deck hand/general purpose hand/ integrated rating
- Stevedore – crane driver, forklift operator, straddle carrier operator
- Deck officer
- Marine engineer
- Ship's master
- Hydrographer
- Harbour master
- Vessel Traffic Services (VTS) operator
- Maritime trainer/assessor

The maritime sector is feeling the pressure of an ageing workforce, particularly in engineering roles. Other challenges include:

- Insufficient replacement of ageing workforce with younger workers
- Cost, length and complexity of existing training requirements
- Lack of available and suitable training berths
- Ageing fleet and high operating costs that impact on viability of business structure
- Offshore industry draws workers from shore-based and sea-going roles
- Competition from resources industry

While some of these challenges, such as the ageing workforce are widespread across the transport and logistics industries, others specifically relate to the maritime industry, including the availability of training births and an ageing fleet. Compounding this problem, efforts to attract new workers are hampered by the high cost and the length and complexity of the existing training requirements.

Equally, the 2012 E-Scan documents solutions and potential sources of labour, including:

- Recruitment from non-traditional areas of the labour market
- Within the near-coastal sector there is potential for greater structure in the provision of cadetships and traineeships, and a pooling of resources to make additional berths available for sea time training
- While the sector argues that training opportunities for Australian seafarers should remain a priority, the Australian Defence Force is one organisation that has been recruiting skilled workers (such as naval engineers)
- Some employers using recruitment programs that pay wages while candidates undertake training
- Consideration of leave provisions and entitlements offered by some employers, as well as access to technology that allows employees to keep in touch with family and friends when at sea
- Government's shipping reforms expected to bring positive outcomes.

Again, while many industries look to attract new employees from other markets and retain them through better working conditions such

as generous leave and entitlement provisions, Mr Adams said the maritime sector can draw on more unique bases to increase and develop its workforce.

The Skills Council employs a dedicated senior training package specialist in maritime, Bob Evans. Bob is responsible for the development and continual improvement of the maritime training package – TDM07. The training package contains 21 qualifications that align with relevant regulatory requirements. Bob also facilitates a range of steering committees and technical working groups. The outputs of these groups can be found on the TLISC website: www.tlisc.org.au

Bob reports that continuous improvement activities over the next 12 months include work relating to engineers, integrated ratings and marine surveyors and a review of all marine engine driver qualifications.

Government reforms in shipping, which are expected to come into operation from 1 July 2012, are expected to create attractive investment opportunities in the sector, Mr Adams said.

These opportunities need to be promoted, with the aim of creating more Australian-flagged ships that can provide additional berths for trainees to undertake the sea time component of their training. The sector continues to explore options for streamlining maritime-related workforce development and planning.

A major step is the establishment of a Maritime Workforce Development Forum. The forum will work to improve skills outcomes in conjunction with the Australian Government and the proposed National Workforce and Productivity Agency. Mr Evans said there are also opportunities to maximise pathways and develop transition plans from other industries (such as fishing) to occupations within the maritime sector.

While flexible working arrangements, such as part-time work provisions, might be part of a workforce strategy in other sectors, it is less likely to be used in the maritime sector because of the nature of the work. Consideration of leave provisions and entitlements are being offered by some employers, as well as access to technology that allows employees to keep in touch with family and friends when at sea.

- Ships are the least energy intensive of all the transport modes – shipping currently contributes just 4% of the greenhouse emissions from the Australian freight transport system.

(McIntosh, A. Climate Change and Australian Coastal Shipping Discussion Paper Number 97. The Australia Institute, October 2007.)

- The number of containers crossing the nation's wharves will increase by 150% by 2020.

(Source: http://www.infrastructureaustralia.gov.au/freight/)

- Around 25% of the domestic freight task (on a tonne/kilometre basis) is carried by ships, with this number set to increase over the coming years.

(Department of Infrastructure and Transport. Stronger Shipping for a Stronger Economy. September 2011.)

To attract Generation Y, long-term career and job satisfaction needs to be addressed. This includes promoting a career path that enables a transition to onshore roles where skills and experience can be utilised.

To avoid ongoing issues relating to labour supply not keeping pace with the demand, it will be important to ensure that there is a stronger link between labour market demand and workforce planning and development initiatives.

In September 2011, the Government announced a package of reforms for the Australian shipping sector, including a zero tax rate for Australian ship operators. The reforms are designed to improve international competitiveness and recognise that the viability of shipping relies on a long-term skills base.

The Shipping Reform Package has a goal of providing more training opportunities for Australian seafarers and building a skills base to ensure long-term sector viability. The new Maritime Workforce Development Forum will be a key platform in working towards this outcome. Its role will include the development of a workforce plan for the medium term to address the biggest concerns, such as the ageing workforce and skills gaps.

With future freight growth forecast to be strong, efficient coordination will be critical. However, there is already evidence of capacity constraints at some ports, including bottlenecks that result in truck and ship queues. The role of rail and road transport in moving goods to and from ports requires a 'whole-of-supply-chain' approach to maximise system efficiency. This has been partly tackled through the National Freight Strategy, which is promoting a more integrated and multi-modal system for quick, reliable and efficient movement of goods.

New SAL E-learning course establishes a pathway to a maritime education

Building upon the success of the Introduction to Shipping e-learning course, Shipping Australia has developed a complementary course titled Fundamentals of the Maritime Industry. Together, the courses represent a consolidated starting point for learning about the Australian shipping industry.

The Introduction to Shipping e-learning course proved to be very popular with students and the online format made the high standard content convenient and accessible. The course remains available and is recommended as the preliminary introduction to the industry. For students wishing to further their maritime education, the new e-learning course Fundamentals of the Maritime Industry utilises the same successful format to expand their knowledge. The course refines the domain of international shipping industry into its key elements within ten training subjects. From an Australian perspective, the fundamentals of the shipping industry are explored in the subjects of:

1. International trade
2. Seaborne trade and shipping
3. Ship characteristics
4. International maritime logistics
5. All in a day's work
6. Ports – the vital link
7. Liner trade cargo shipment
8. Ship broking and chartering
9. The maritime directory
10. The regulatory regime.

The in-depth content of Fundamentals of the Maritime Industry necessitates that the course is more academically rigorous, and each subject is expected to take 45 minutes to one hour to complete. The online format ensures easy accessibility and provides convenient functions such as the ability to log-on directly to the last point of engagement. The high standard of content in the new course has also been enhanced with the application of multi-media platforms including YouTube.

Cost for enrolment in the Fundamentals of the Maritime Industry is:

- $500 + GST for SAL members and customs brokers and forwarders
- $600 +GST for non-members.

The cost of a package including both e-learning courses is $600 + GST for SAL members and $700 + GST for non-members.

Application forms for both courses can be found by following the link to the e-learning page on the Shipping Australia website http://shippingaustralia.com.au.

A group discount rate is available for multiple enrolments, for further details please contact Bryan Sharkey on (02) 9266 9915, mob 0425 304362 or email bsharkey@shippingaustralia.com.au.

The value of Shipping Australia's e-learning courses as a starting point for maritime education is recognised by the Australian Maritime College which offers a tertiary education pathway for SAL students. Students who have successfully completed both e-learning courses, are over 18 years old and have worked in the maritime industry for at least one year, will have met the entry criteria for the Bachelor of Business (Maritime and Logistics) and the Bachelor of International Logistics (Freight Forwarding) degrees offered by the Australian Maritime College. Enrolment in these degrees can be full-time or part-time and either on-campus or by distance education.

SEE YOURSELF ANYWHERE HERE?

Have you ever looked in a mirror and thought to yourself: "Who does that face remind me of?" NO? Well here's your chance to enjoy such an experience by looking at these magnificent pictures of SAL Queensland's recent golf day at the Pacific Golf Club. If you can identify yourself or any of your mates that's wonderful. Winning teams on the day were: Chalmers (SAL Cup), PB Towage (Dennis Briant Trophy), Gulf Agency Co (the Chairman's Trophy),and Tzaneros Enterprises (ANL Cup). Mercifully we can also tell you that the main sponsor was Macquarie Telecom. Other sponsors were Mediterranean Shipping Company, Wilhelmsen Ships Service, Sydney Ports Corporation, Svitzer, Patricks, PB Towage, Thomas Miller, and DP World. Our thanks to all for their generosity and sportsmanship. See yourself anywhere?

The scene

YOUR PERSONAL REPUTATION IS WHAT YOU STAND FOR, SAYS MUTTIAH

On a more serious note than the golfers: Young Shipping Australia's 5th annual Industry Outlook luncheon was well attended by members and guests who were treated to the insights of three industry professionals - Ted Muttiah, md of APL; Ken Fitzpatrick, md of Asiaworld and SAL's chairman; and James McIntrye, a senior economist with the Commonwealth Bank. A balanced practical and formal education is important, as is personal reputation which is influenced by your emotional intelligence and your value system, Ted told the NSW Parliament House gathering.

Ken Fitzpatrick predicted that were the current low levels of new ship building maintained, demand would not balance supply until 2015-16, although the balance for multipurpose and project cargo may be achieved this year.

Ken Fitzpatrick and John Ajaka, MLC, Parliamentary Secretary for Transport and Roads

Lachland Carter, Kao Wong and Daniel Uncle, all of Hamburg Sud

Luke Harrison of Woolworths, Catia Teixeira and Cheryl Potter both of Hapag-Lloyd

Nafiseh Mirzaie (Seaway), Ted Muttiah (APL Lines), Coc[illegible]amilton Wilson (Seaway)

Signal

National Biosecurity award is won by SAL

Thirty-four containers of fake fertiliser posing a biosecurity risk have been returned to China thanks to a cooperative effort by the Australian shipping industry.

In May 2011 a group of Australian farmers from Condobolin paid for fertiliser which turned out to be bags of soil including seeds, feathers and other contaminants. If released, the soil could spread a range of bacteria, viruses and other plant pathogens that could seriously damage Australia's agriculture and environment.

When the first farmer received the first shipment of bags declared as fertiliser he immediately knew it wasn't fertiliser. Biosecurity officers were called and the bags of soil were collected and returned to Sydney where they stayed for many months until a solution could be negotiated.

A number of shipping industry companies solved this biosecurity saga by offering services and working together to return the containers to China in January 2012.

The return of the soil to China was a great industry solution to a bad industry problem.

The key shipping industry parties who enabled the return of the containers were recognised with National Biosecurity Awards by Senator the Hon Joe Ludwig, Australian Minister for Agriculture, Fisheries and Forestry, in Canberra on Tuesday, 6 March 2012.

The key shipping industry companies who were recognised were: Shipping Australia (a peak body for Australian shipping lines); ANL (the shipping line who carried the goods back to China), Qube Logistics (formerly P&O Trans Australia) and DP World (who stored and transported the containers), FPMarine Risk (who secured insurance for the returned containers) and Sydney Ports (who waived port fees and charges).

Port Botany rail upgrade: First stage completed

The Minister for Infrastructure and Transport, Anthony Albanese and John Fullerton, the CEO of the Australian Rail Track Corporation announced on 3 April that the upgrade and reconfiguration of the rail yard at Port Botany has now been completed, part of an ambitious project which will transform the movement of freight across the Sydney basin and take up to 300,000 trucks a year off the city's road network.

The work on the next stage of the $172 million Port Botany rail upgrade project has commenced with Downer Australia selected for the job of expanding the Enfield yard so it can accommodate more trains at any one time.

The upgraded Port Botany and the associated works at Enfield will connect with the new Southern Sydney Freight Line, which is expected to commence operations in early 2013, and from there onto the main North South line between Melbourne and Brisbane.

It will also complement the $1.1 billion project now underway to ease congestion and remove bottlenecks along the rail corridor through Sydney's northern suburbs to Newcastle as well as the proposed new intermodal facility at Moorebank.

Federal Budget 2012-13 includes development of Moorebank intermodal facility

As one of the two new projects added to its capital works programme, the Federal Government in its May budget commissioned the private sector to devise, build and operate a major, new intermodal facility in Sydney's south west. If completed by the scheduled date of 2017, it is estimated it will take 1.2 million trucks a year off the city's

Photo by Steve Keough Photography at the ABARES Outlook 2012 conference.

road network, prevent gridlock around Port Botany and ultimately transform the movement of freight across the entire eastern seaboard. Work will begin shortly on preparing the preferred site at Moorebank, including relocating the Defence School of Military Engineering to new, modern facilities at Holsworthy barracks.

Shipping Australia's 2011 intermodal study in the metropolitan areas of Sydney and Melbourne challenged the concept of creating these 'inland ports' on the basis of "built it and they will come". It is important that all stakeholders work together to ensure that the commercial and practical barriers to the optimal performance of these intermodal terminals are removed. Readers can obtain copies of the SAL report, either in soft or hard copy form by emailing sflood@shippingaustralia.com.au.

Qube Logistics increases stake in Moorebank problem

Meanwhile, Qube Logistics has acquired Stockland's stake in the proposed Moorebank intermodal terminal; the other partner being QR National. SAL does not believe that two intermodal terminals (one private, one Government) on the site will be viable in the short to medium term and will watch with great interest as the project is developed.

International shipping industry rejects EU emission funding scheme

In March this year, the European Commission released its Energy and Climate Change Committee report on shipping which says that calls by the industry for an international cap-and-trade scheme for shipping are a delaying tactic and that shipping should be included in the EU emissions trading scheme.

The shipping industry rejects this assertion and has stressed that any measure to reduce carbon emissions from shipping must be a global initiative in order to prevent competition being affected and to prevent trade chaos. In the view of the International Chamber of Shipping, it should be dealt with through whichever Market Based Measure is to be recommended by the International Maritime Organisation.

International Day of the Seafarer – 25 June 2012

25 June is the day we should all spare a thought for the over 1.2 million seafarers that carry 90% of world trade and make such a massive contribution to world trade and economic development.

Moorebank Intermodal Terminal. Photo: Australian Government

Facing hazards at sea in terms of violent weather events, piracy, loneliness and at times, depression is the everyday lot of the international seafarer.

Collectively we owe a real debt to this "forgotten" workforce.

Joint SAL/Export Council of Australia seminar

This seminar will be held at the Four Points Sheraton hotel in Sussex Street, Sydney on Friday, 24th August, 2012 to discuss the theme 'increasing competitiveness in Australia's international trade and maritime industries'. Dr Craig Emerson, the Federal Minister for Trade and Competitiveness will be the keynote speaker, with other speakers from the senior ranks of the Opposition, Federal Government Departments and representatives of major exporting companies.

For further information, please visit the SAL website on www.shippingaustralia.com.au or the Export Council of Australia website on www.export.org.au.

SAL can trace its origins back 100 years

Whilst Shipping Australia was formed in 2001 as a result of a merger between the Australian Chamber of Shipping and Liner Shipping Services Ltd, both organisations can trace their origins back to the first meeting of the Oversea Shipping Representatives Association (OSRA) held on 17 July, 1912.

To mark this centenary, a luncheon will be held in Sydney on 17 July, 2012 coinciding with the anniversary of the first meeting of the OSRA. The reunion will involve former staff of the Association along with serving and retired shipping industry personnel whose work involved regular contact with OSRA.

OSRA was established at a time when Australia's major trading partner was the United Kingdom which bought large volumes of wool, meat, hides, fresh and canned fruit, dairy products as well as general cargo from Australia.

OSRA expressed the views of their members on a wide range of shipping policy issues including industrial issues. The Australian Chamber of Shipping emerged in the 1960's as did the Association of Employers of Waterside Labour.

In 1969, the revolutionary introduction into the Australian trade of containerisation, coupled with the passage through the Commonwealth Parliament of the then Trade Practices Act in 1974, heralded a new operational and policy environment in the liner shipping industry at large. This led ultimately to the reorganisation of OSRA, resulting in, among other things, in its name change to the Australia to Europe Shipping Conference in 1978.

Serving and retired shipping industry personnel whose work brought them into contact with OSRA/AESC including those from interstate would be welcome to attend the Sydney reunion on 17 July. Further information and booking details can be obtained from Martin Orchard – telephone 0438 010 748 or by email to mkorchard@bigpond.com.

New inspector of transport security appointed

On 24 May, 2012, the Minister for Infrastructure and Transport, Anthony Albanese, announced the appointment of Andrew Hughes to replace Mick Palmer, AO whose current term expires on 7 June, 2012.

Andrew Hughes is the former Head of the United Nations' Police Force whose responsibilities included overseeing the deployment of 12,500 personnel to 18 missions around the world.

He has spent more than 30 years with the Australian Federal Police and also as Commissioner of the Fijian National Police Force. He is a recipient of the FBI Award for exceptional service in public interest.

Newcastle Stevedores specialises in Break bulk, Project cargo and containers in the port of Newcastle and works at developing client relationships ensuring a high quality of stevedoring services.

Our ability to give assurances is supported by highly trained human resources backed up by an experienced Management and operational team who excel in ships planning and ship management who are backed up with specialist stevedoring equipment and machinery

Geoff Beesley – Managing Director

Geoff has almost 50 years experience in the shipping industry, the majority of which was spent with P&O. In 1997, after parting company with P&O, he saw the opportunity to start his own stevedoring business. He has managed Container and Consolidation depots, shipping agencies as well as stevedoring interests.

James Griffiths – General Manager

James Griffiths started with NS in 1998, as a Casual Waterside Worker. He has been fortunate enough to experience a wide exposure to the industry during the last 7 years, including roles within Shipping Agencies, Cargo Consolidation Facilities and here at NS.

Philip Watt – Operations Manager

Philip Watt has over 15 years experience managing all operational facets of container and multipurpose port operations. He has hands on operational experience across a broad range of port environments. Prior to joining NS in August 2010 he worked with AECOM, Swire Shipping and Port of Wellington. In his time at Swire Shipping he was fortunate enough to spend 2 years in PNG managing the port operations for the region.

Darrel Madden - Wharf Superintendent

Darrel Madden has over 20 years experience as a waterside worker, He worked for Patrick and Strang Stevedores prior to commencing with NS in 2001. Darrel spent time working as a Grade 5 and 6 foreman prior to moving to his Superintendent role

Jeff Harvey - Wharf Superintendent

Jeff Harvey was one of the Newcastle Stevedores original employees. Prior to Stevedoring Jeff had a very mechanical background. Now with over 14 years working as a Grade 5 and 6 foreman he has moved in to the role of Wharf Superintendent.

Illawarra Stevedores is a separate “sister” company of Newcastle Stevedores. It commenced business in June 1998 and handled its first vessel in July 1998. Primarily we handle Break Bulk Cargoes such as tinplate and steel coils but also handle bulk cargoes. Illawarra Stevedores can assist you with your cargo transshipments, or even handle them for you completely.

With recent changes in Port Kembla Illawarra Stevedores is ideally placed with expert stevedores who know their job and are the best available.

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