



Maintaining our heading in confused seas

By ROD NAIRN

Welcome to our SAL Annual, which is again presented as a separate yearbook, which brings together a broad range of updates from across the shipping industry. I thank the Deputy Prime Minister, Warren Truss MP for providing his overview of the shipping sector and challenges ahead with which to open this edition.

The activities of the Shipping Australia executive, liner division, state committees and Young Shipping Australia are provided in the forepart of the Annual, followed by updates from government authorities, ports, and service providers to the shipping industry. There are some excellent insights from our legal associate members on how developments in international and domestic regulations and case law, have shaped the operational space. I trust you will find the content compelling reading and retain this publication as a useful reference.

At the beginning of this year, it looked as though two major Federal Government reviews would dominate the policy debate and focus shipping industry attention: the review of coastal shipping, and the root and branch review of competition policy, which would sweep up the shipping competition exemptions under Part X of the Competition and Consumer Act. While these two activities did require significant consultation and effort, as the year unfolded a multitude of other activities emerged as the down-stream effects of other government initiatives; the red tape reduction programme particularly comes to mind.

The result was that frenetic activity levels were maintained throughout the year. Twenty three formal submissions covering a broad range of topics (all available on our website) have been

made since July 13. These have been augmented by innumerable comments on government technical and policy papers, and appearances at the Victorian Essential Services Commission, and the Senate Inquiry into Management of the Great Barrier Reef. In October, I presented on "sustainable shipping" at the International Container Handling Committee Australia/South Australian Freight Conference, and in November presented on the "consequence of unlimited liability for shipping" at AMSA Maritime 14.

Achievements

Shipping Australia's role is to represent the interests of our members in promoting efficient and sustainable shipping services to and from Australia. Our small team has worked tirelessly to deliver on this outcome. One significant result this year was the cessation of the additional three cents per tonne protection of the sea levy, from 1 July 14. After two years of sustained pressure from SAL, this was a substantial win which will result in a saving of \$9 million per year to the industry. Moreover, we were able to convince the incumbent Government to remove an unjust levy that the previous Government had introduced as temporary, then made permanent.

Our efforts have delivered, or at least contributed to: delaying the introduction of the New South Wales Port Logistics Charge, influencing lower price increases at Port of Melbourne, and stopping changes to berth access charges in Brisbane.

Other successful outcomes have included:

- Deferral and review of Port Kembla proposed pilot re-booking charge,
- Removal of staff redundancy costs from Department of Agriculture's

cost recovery baseline, resulting in substantially lower 2014 fee increases,

- Influencing the Federal Government's position on coastal shipping regulation,
- Gaining funding for a project to consider the use of shipping to mitigate disaster events and stranded cargoes,
- Influencing the Victorian Government to decouple the sale of Port of Melbourne from the Port of Hastings,
- Engaging in negotiations with AMSA, stevedores and unions to ease the pressure points on MO32 and improve the proposed stevedoring practice guidelines,
- Developing and delivering a new on-line training course in reefer cargo handling,
- Providing regional networks to focus on local matters in Queensland, New South Wales, Victoria, South Australia and Western Australia, and
- Providing an industry focal point for government engagement on matters related to international shipping.

Reefer training course

Our new on-line course in reefer cargo handling has filled an industry demand for this important training. The course has received excellent feedback from participants and has reduced cargo losses through human error and equipment malfunction. The convenience of being able to undertake the course at your own time and place adds to the attractiveness, and the cost is insignificant in relation to the values of cargoes.

Coastal shipping reform

Our members took a measured approach to the coastal shipping review, preferring to promote measured changes that could receive bipartisan support in Parliament,

and yet enable Australian industries, primary producers and consumers to gain the benefits of economically moving Australia's domestic long haul freight by sea. As the year has progressed we hear voices in harmony all calling for reform of coastal shipping regulation, the ACCC has provided a detailed criticism of the current protectionist regime and its costs to Australia's economy in its recent response to the draft Harper competition report. Shipping Australia doesn't always see eye to eye with the ACCC but we are in full accord on this topic.

The shipping industry is speaking with one voice on this matter, calling for urgent changes to remove obstacles to efficient coastal trade. While the previous coastal shipping reforms were well intentioned, they didn't deliver the right result and need urgent change. What we have seen is cargo that used to be carried by sea, now being moved by road and rail, this hurts.

Coastal shipping reform that increases the volumes of long haul cargo carried by sea will be a win-win outcome being:

- more cost effective than road and rail,
- internationally competitive to prevent import substitution,
- more environmentally friendly - 20 times less green-house gas emissions than road and four times less than rail, and
- 20 times safer than rail and 100 times safer than road.

More coastal shipping will provide more jobs for Australians ashore and opportunities for Australians to work in the maritime sector both at sea, and on the waterfront.

For the good of Australia's overall prosperity, I urge all parliamentarians to work together to save thousands of Australian jobs in primary industries and manufacturing sectors, by releasing the chains of protectionist over-regulation and allowing coastal shipping to flourish.

Competition review

Our 34 page submission to the Harper competition review was primarily focussed on the importance of retention of Part X of the Competition and Consumer Act. Of more than 316 submissions to the review, only two called for the abolition of Part X, one from the ACCC and one from the former ACCC head, Allan Fells. Neither provided any evidence or case studies to support their ideological views.

Shipping Australia is disappointed that the draft report released by the



Competition Review Panel recommended removal of the existing shipping exemptions in Part X, particularly as not one of the users or providers of shipping services in Australia recommended this outcome.

Part X currently provides both the certainty of levels of service that shippers require and the certainty that carriers need to decide to invest in providing ships on Australian routes. The current system is promoting competition, as evidenced by the most competitive shipping rates ever seen, with at least 25 international shipping companies providing services to Australia.

Unfortunately, the proposed changes would bring uncertainty by replacing clear legislation with an, as yet, undefined block exemption process to be developed in consultation with the shipping industry, but no doubt driven by the dogma of the ACCC. Anything falling outside these unknown limits will require the full authorisation process, which even the Panel agrees, "might lead to unnecessary compliance costs".

Our response to the draft report, submitted in November, focussed on the above issues and urged the panel to reconsider the need to increase bureaucracy and uncertainty, which would clearly raise barriers to participation, reduce competition and increase shipping rates. We trust that with further analysis they will realise that the current system is working and that there is no problem that needs to be fixed.

Port privatisation

Shipping Australia has never been ideologically opposed to privatisation, which we believe can work well and provide more flexible investment to

improve services. However, during this year our members have seen short-term negative impacts on their costs of operations resulting directly or indirectly from port privatisations. At Port Botany, the combined effects of the introduction of an additional four dollars per TEU port logistics charge, plus a general price increase in July increased the average full container wharfage by more than 8 per cent. At the same time a 9.64 per cent increase in navigation and pilotage charges controlled by the Port Authority of New South Wales, was a bitter pill to swallow. Most recently, Port of Newcastle's announcement of a 3.9 per cent increase in non-coal charges and a restructure of coal tariffs that equates to an increase of greater than 60 per cent is one that we just can't accept. Such action seems unjust when shippers are locked into long-term contracts with suppliers who only ship through Newcastle.

The ACCC has criticised the lack of price oversight mechanisms and the locking in of guaranteed monopolies in the New South Wales port sales, we can only agree. We urge the new Daniel Andrews' Victorian Government not to embed such anti-competitive provisions, which would no doubt boost the sale price, in the lease of Port of Melbourne. If he does, the legacy of higher port charges will be paid by future generations.

Industrial action

Industrial action on the waterfront has been an increasing feature this year. Though numerous threats of industrial action by maritime unions were averted at Port Hedland, the cost to the industry has still been high, and generous settlements are an enduring burden. Most recently there has been significant disruption during the current bargaining rounds at DP World's terminals in all



container ports. This is damaging workers, companies and the Australian economy. It make no sense to me to use industrial action to prove that your workers are efficient, reliable and deserve pay increases well above those in other industries. The knock-on effect of stevedoring delays is higher costs to shipping companies and the whole logistics chain, but ultimately Australians pay. Examples of extended disruptions on the west coast of USA have led to shipping lines dropping some ports from their service loops.

Container weighing

This year the IMO approved amendments to SOLAS Regulation VI-2, requiring the gross mass of containers to be verified before loading onto ships. This is an important safety matter for all ships, and long overdue. Shipping Australia is pleased that the regulation will clearly

place the responsibility for correct weight declaration on the shipper. It is imperative that the verified weight is provided early enough that it can be taken into account as the ships stowage plan is developed, not as the container comes over the ships' side. AMSA is developing MO42 to implement this international requirement, and Shipping Australia will monitor the development of this order.

Other activities

Other focus areas have been: preparing the industry response to Great Barrier Reef and Coral Sea shipping routes and anchorages; stevedoring guidelines; revision of MO32; input to Australia's bio-fouling and ballast water position for IMO MEPC; recommendations on ratification of international treaties and New South Wales EPA shipping emissions policy deliberations. Some of these matters are

still on-going. Undoubtedly, the impacts of a revised MO32 without sufficient prescription, and the handling of matters of health and safety on board ships will present some challenges for all owners until the States develop a common, and preferably unified, approach.

As the year comes to an end, there is no let-up in sight. Feedback on the joint border fee review position papers, submissions on MO32, ballast water compliance costs, the Senate inquiry into the Biosecurity Bill, Queensland port pilotage services pricing, and the CBPC "organized crime" post implementation review are all due before the majority of Australian's return to work for 2015.

This year, the inability of the Federal Government to get legislative reforms through a hostile and unpredictable Senate has frustrated the shipping industry. The continuing political cycle of our unwieldy, federated system of government has led to further uncertainties. The South Australian Government was returned by a narrow margin, providing some stability in that State. In Victoria, the year was overtaken by campaigning, point-scoring, much uncertainty in infrastructure and future port developments in the State. Their recent change of government places a question mark over the future of Port of Hastings, which seems more political than logical from a shipping perspective. In New South Wales the fallout of the ICAC investigations saw rapidly changing faces in the New South Wales Government including the replacement of Premier Barry O'Farrell by former Treasurer Mike Baird, however the shipping and transport sector has maintained stability with Ministers Berejiklian and Gay retaining their responsibilities. But with an election early next year, politically motivated policy decisions are something to watch out for.

My second year at the helm has been more turbulent than the first, and it has required a great deal of rudder to maintain our heading in some rather confused seas. I thank our chairman Ken Fitzpatrick and the Board of directors for their continuing leadership and support, and all our staff for their efforts over the past year. Finally it is with some trepidation that I bid farewell to Kushy Athureliya who has become a living legend during his nearly 20 years with Shipping Australia Limited and the Australian Chamber of Shipping. Kushy's knowledge and energy have been crucial to the level of productivity achieved by SAL. On behalf of all the staff, please accept our gratitude, we wish you well for the future. ▲