A tough year for shipping

By KEN FITZPATRICK

The market place

With the exception of the cruise industry, this has been a tough year for pretty much all other sectors of shipping, from bulk to container to offshore. The passenger trade has done well in comparison but even some of those lines have 2015 war stories to tell. In the close to 50 years I have been in the industry I cannot recall a longer slump in shipping. Gone are the old days for one to two years of good trading conditions with two to three years of recovery conditions, usually caused by over ordering of tonnage in the previous heady market. The Baltic Dry Index hovers around 515, having reached a 32-year low, down beyond depths of the days of the great plunge in late 2008.

Unfortunately the outlook is still grim for the year ahead. To put some perspective into this, a capesize ship a year ago, on the spot market, could earn US$22,500 a day, whilst today it can expect US$5200 per day. Similarly a Panamax vessel was rated a year ago at US$8500 against the expectation today of just US$3700.

Whilst at this time of year, especially given recent world events, we could all do with some Christmas cheer, unfortunately that will not be the case for hundreds of industry employees who have lost their jobs during the year as a result of these market conditions. It is important we consider them, as we reflect on what has been and what might have been during 2015.

2015 challenges

One of the key problems we have had to battle for our membership results from the implementation of port privatisation. Without going into detail, private port managers and residual government managers of port facilities seem to have been unaware of the struggle their customers have faced over the past 12 months. Increases in port charges have been constant, in many cases unreasonable and hard hitting, to an industry that has simply been already overloaded with costs that never decrease. Why are New Zealand port charges about half those of Australia? It is called competition, something that does not really exist in Australia, and where it might have existed, government policy made sure it could not happen so they could maximise the prices they sought in the privatisation proceeds.

The status of coastal shipping has again been at the centre of government transport policy, and SAL has been actively involved in the process of consulting and reviewing proposed solutions. After passing the House of Representatives, the Senate held an enquiry which resulted in a recommendation to pass the amendment Bill. However, the decision was always going to support the Bill. The future now of moving cargo within Australia by sea remains in limbo, with the current Bill having proven to be a failure in increasing Australian flag shipping or in increasing coastal trade. In fact the opposite is the case. The decision to reject the Shipping Legislation Amendment Bill will further drive Australian industry to import, leaving local manufacturers to try to survive in the export market or perish. Perhaps it will just drive some Australian manufacturers to produce their products overseas, with the resultant loss of local jobs.

The recent government announcement that they are “still open” to the Harper Review recommendation to repeal Part X of the Trade Practices Act for Liner conferences can only lead to uncertainty and nervousness in a market where the last thing needed is a bad case of the jitters about future government policy. Smaller lines working on vessel-sharing arrangements may see such a decision as the tipping point for them to exit the trade with the result impacting negatively on Australian shippers and importers in terms of less regular services, fewer direct ports of call and potentially higher freight levels. We will work with the Government in their further review of this matter to ensure that the further review leads to the best possible outcome for liner shipping.

SAL Board and executive

Our Board has met regularly during the year, with four meetings to date before the December meeting. We lost Nicolaj Noes from Maersk in August as he transferred to the Singapore office and welcomed Scott Henderson of GAC to the Board in April. The Board also followed up matters from a planning session hosted by MSC late last year, which reviewed future directions, core values and looked at our strategic plan. We maintained cordial relationships with MIAL (Maritime Industry of Australia Limited, formerly the Australian Shipowners Association) and worked cooperatively on a number of matters with them during the year.

Since the arrival of Melwyn Noronha in February, the executive team has remained unchanged in 2015, and led very capably by CEO Rod Nairn. It has been a very busy year for all...
Port of Fremantle

Shipping Australia Limited Annual Review 2015

It was just the MUA way of welcoming before they knew the content. Maybe hotel where the event was staged even opposition from unions to the Bill was obvious from the outset, as the Shipping Legislation Amendment Prime Minister announced the details of the Port of Melbourne. Queensland staged their annual shipping industry ball in October and it is pleasing to note that the MUA staged a protest outside the hotel where the event was staged even opposition from unions to the Bill was obvious from the outset, as the Shipping Legislation Amendment Prime Minister announced the details of the Port of Melbourne. Queensland staged their annual shipping industry ball in October and it is pleasing to note that sufficient funds were raised to enable a donation of $15,000 to be made to Sailability Bayside, who focus on improving the life of disabled people by introducing them to sailing. Well done to Bill Guest for this organisation. As the end of year approached the New South Wales State Committee held its famous Christmas luncheon event on 4 December, a traditional members’ Christmas luncheon was hosted by the Victorian State Committee on 7 December, and the final event for the year was a Queensland State Meeting and luncheon on 10 December with guest speaker Roy Cummins, CEO Port of Brisbane.

Networking events

Three States hosted golf days - New South Wales and Victoria in March, and Queensland in May, all of which saw a good number of members and their customers in attendance, with the exception of New South Wales, where the attendance was less than last year. The event will be held earlier in 2016 to overcome clashes with other events. The traditional New South Wales Parliament House lunches were held on 29 May and 25 September respectively, with guest speakers Minister Duncan Gay and Opposition Leader Luke Foley addressing an audience of over 250 on State Government and Opposition policy positions relating to the industry. Port privatisation is still not complete in New South Wales with Port Jackson, Eden and Yamba all waiting for the axe to fall on them at some point in the future.

In May we hosted a special-event lunch for industry when the Deputy Prime Minister announced the details of the Shipping Legislation Amendment Bill. The same Bill which unfortunately has now failed to pass the Senate hurdle. Opposition from unions to the Bill was obvious from the outset, as the MUA staged a protest outside the hotel where the event was staged even before they knew the content. Maybe it was just the MUA way of welcoming the Deputy Prime Minister.

The Victorian State Committee hosted a mid-year luncheon at the MCG where Treasurer Tim Pallas provided details on his plans for the Port of Melbourne. Queensland staged their annual shipping industry ball in October and it is pleasing to note that sufficient funds were raised to enable a donation of $15,000 to be made to Sailability Bayside, who focus on improving the life of disabled people by introducing them to sailing. Well done to Bill Guest for this organisation. As the end of year approached the New South Wales State Committee held its famous Christmas luncheon event on 4 December, a traditional members’ Christmas luncheon was hosted by the Victorian State Committee on 7 December, and the final event for the year was a Queensland State Meeting and luncheon on 10 December with guest speaker Roy Cummins, CEO Port of Brisbane.

Steering groups

Once again the steering groups met on a regular basis, including the Maritime Legal Steering Group which held its annual Christmas lunch at the final meeting of the year on 11 November. Denis Speyer (CNCo) has now stepped down as chair and I thank him for his commitment to the role over the past three years. In mid-year the former General Steering Group was renamed Border Agencies Steering Group to better reflect its activities. Meanwhile, the Technical Steering Group has had its work cut out this year, coming to terms with the implementation of gross mass accountability for containers under new SOLAS regulations, which came into effect on 1 July 2016, and place the onus on shippers to supply correct container weights by one of two methods (i.e. weighing the container or adding the sum of the contents to the tare weight of the container). Much discussion has taken place on how this can be effectively implemented and the work on this project continues.

The decision by the NSW EPA to implement restrictions on passenger ships requiring them to burn low-sulphur fuel (0.1 per cent max) gave committees some food for consideration. Concern still exists when a single State goes it alone and implements a regulation which is not co-ordinated with other States in Australia. Other examples of this relate to ballast water regulations. Both of these issues are being addressed by the IMO and changes to both regulations are scheduled for the future to make the requirements international. When shipping lines have to implement changes to meet single state regulations it proves costly and time consuming to put into place. Plus it means further regulatory burden on ships crew in terms of accounting, reporting and compliance. The pressure on ship’s crews to meet regulatory compliance grows substantially year by year, risking fatigue and stress-related illnesses, which are becoming problematic in the industry.

I would like to thank Kon Makrakis (MSCA), Geoff Rose (Sturrock Grindrod) and Patrick Lobo (WWL) for their efforts as State chairmen of Victoria, South Australia and Western Australia respectively, until each stood down in the latter part of this year. I now welcome their eager successors Sunil Dhowan (WWL), Paul Paparella (Asiaworld Shipping) and Robert Boyce (MSCA) who have stepped up to the plate. I would also like to thank CEO Rod Nairn for his efforts during the year, the executive of SAL who have toiled hard to keep pace with the workload, and the State Committee secretariat and chairmen for their input during the year. I thank the Board for their ongoing good counsel.

Finally, I wish all our members and their families a very Happy Christmas and let us hope we have some more favourable economic conditions in 2016.