



A better year astern, but overcapacity threatens

By ROD NAIRN

This year started with a bang, with the bumper agricultural crops driving high demand for export slots and particularly for food grade 20 foot containers. These pressures led to a bit of mud-slinging between industry bodies and the re-emergence of shonky practices – double and triple bookings by shippers led to ships sailing with empty slots, even when many bookings had been rejected due to lack of space. It was not surprising to see some lines introduce cancellation charges in an attempt to counter this practice. In general, this seems to have worked.

The end of year season is not shaping up to be anywhere near as buoyant, behaviours have also generally improved, which eases the artificial escalation of the problem. On the other hand, the pre-Christmas peak import season has been particularly strong, and by November lines were already close to booked-out, while transshipment cargoes were stockpiling in Malaysia and Singapore. It seems that finally we can see a more sustained improvement in the global economies that are reflected in these trade trends.

SAL on-line training courses have been further developed throughout this year to take into account developing logistics trends. Shipping Australia's *Introduction to Shipping* and *Shipping Industry Fundamentals* courses continue to provide the most convenient way for people working in the shipping and logistics industry to gain an understanding of how the shipping industry works, or to develop their knowledge further. But with the national focus on Chain of Responsibility for the logistics sector, SAL has now added a *Chain of Responsibility Compliance* course to our on-line offering.

2017 was also a year for records in ship sizes. For each of the first five months of the year, shipping lines were announcing the biggest container ship ever, had entered service. This trend seems to have slowed over the second half of the year with OOCL Hong Kong at 21413 TEU, which entered service in June (and her subsequent sister ships), apparently still holding onto this

title as I write. This is no surprise, as record low orders have caused the closure of a number of Chinese and Korean shipyards. I'm sure that won't last for long. Orders for nine massive 22000 TEU ships were placed by CMA-CGM in September, for delivery in 2019. Since then MSC has ordered eleven similar ships and COSCO another six. These orders indicate the confidence of shipping companies that the improvements in rates are likely to be sustained, but the biggest threat is returning to overcapacity that has kept the market low for many years.

Earlier this year the Infrastructure Victoria Report into Victoria's future container port, raised concerns among our members and led to a SAL response and a series of discussion with Infrastructure Victoria, Port of Melbourne and the Victorian Government, aimed at encouraging Victoria to recognise the urgency of the requirement of Victoria to accommodate bigger ships. The ship size indications used in the report were well out of date. Also, they were mainly based on estimates of demand, when in reality, the size of ships coming to Australia is driven by supply – the cascade down of larger ships on a lines inventory when new, bigger ships are brought online in the major east-west trade lanes. Since the opening of the new Panama Canal locks only 18 months ago, ship design has changed dramatically, in particular, they are getting wider.

Bigger ships are coming to our region and to Australia. The New Zealand port of Tauranga expanded to take 9,500 TEU ships and since then

has increased throughput by 15 per cent. In October one of these swung through Brisbane to pick up empties. Botany has also hosted ships of up to 8,500 TEU and is capable of taking 12,000 at some terminals.

A number of commentators were critical that there was no mention of shipping in the Paris Climate agreement, but the international shipping industry has been proactive in pressing for more fuel efficiency, and less carbon and sulphur emissions. The ICS has been very supportive of IMO efforts to develop a comprehensive strategy for reducing CO2 emissions from shipping, and the pressure is now being put on refiners to produce sufficient low sulphur fuel to meet the IMO's low sulphur fuel limits. Further ahead, there is serious discussion on a zero CO2 shipping industry by 2050.

LNG powered ferries are now considered old hat but the trend towards LNG has entered a new phase, as a potential shortage in low sulphur fuel oil threatens to coincide with the introduction of low sulphur regulations. There are already more than a dozen LNG powered containerships in operation, but many new orders are built LNG ready, including six 18,900 TEU and eleven 15,000 TEU ships for Hapag-Lloyd, as a legacy of UASC. Most significantly, CMA-CGM's nine new 22,000 ships will be LNG powered.

Stevedore infrastructure surcharges for landside connections underwent a significant increase this year. While we are never happy to see cost increases in the supply chain, SAL was relieved that for once charges were being applied to those who reaped the benefit, rather than being hiked on shipping companies to continue to subsidize landside infrastructure and services provided by stevedores to truck and rail operators. The result has kept the stevedore competition tight and should help to keep overall supply chain costs down. Nevertheless, I have heard some concerning reports that others in the landside supply chain have used these infrastructure levy increases as a cover to raise their own margins and even introduce new phantom levies. Buyer beware!

Back in January, the MUA's attempts to expand their influence into other employment categories on the waterfront, such as professional

roles currently covered by AMOU and AIMPE were thwarted, as following strong objections their application was withdrawn. But the spectre of a merger between the MUA and CFMEU now looms large with their members voting for the amalgamation. Such a merger could do no good for Australia and will be a retrograde step for waterfront productivity.

We had more than a taste of what may come, at the end of November. In Sydney, the MUA programme of short, disruptive 24 hour strikes suspending pilot vessel operations to most cargo ships at Port Jackson and Port Botany, caused disruption to the peak import season in the lead up to Christmas. It also took money out of the pockets of their own union workers, who won't see their pay rises until their new EBA is in place. But the strikes were not about workers conditions, they were a blatant power play by the unions trying to take over management decisions and dictate the future structure of Port Authority of New South Wales' vessel fleet.

In Melbourne, the MUA initialled a picket and blockade of VICT terminal, hiding behind a smokescreen of "community protest". The MUA had no justification for the protest in the first place, but claimed that it was unfair that a casual worker, who was not eligible for an MSC (a condition of employment and a legal requirement for working in a maritime security zone) was dismissed. There was obviously no case of wrongful dismissal and the matter was not even referred to the Fair Work Commission. There were no VICT employees participating in the protest but the illegal union blockade, which seemed virtually immune from the attention of the Victorian Police, stopped imports and exports through VICT for two weeks. This event was ongoing at time of writing but in my opinion, the police need to step in and arrest those who are breaking the law. Otherwise, these external pickets are likely to become the new favourite modus operandi for unions wishing to raise the profile of their executive at the expense of their members.

In September we saw the International Ballast Water Convention come into force. Australia made amendments to the recent Biosecurity Act to enable the

regulation of domestic ballast water to be implemented at the same time, and while SAL has supported the concept of a standard national regulation for ballast water, we were not expecting international shipping to be hit with additional charges to implement the domestic scheme. We are advised that an increase in the international arrivals charge will support the cost of monitoring within selected Australian ports, and monitor the risk of moving ballast water from port to port. With hull fouling now also becoming a greater focus, such monitoring should meet the requirements for monitoring both ballast water and hull fouling vectors, and we would not expect any further increases in charges to support additional monitoring. In November, we were pleased to note that the Fran Marine's in-water hull cleaning system, which has been under development for a number of years, received approval to operate in Western Australia, and their first operational clean was reported to be successful.

Coastal shipping regulation seems to be one of those policy areas where politics gets in the way of common sense. The amendments introduced by Minister Chester this year were nowhere near as fundamental as those rejected by the Parliament in 2016. These amendments were intended to smooth out some of the regulatory wrinkles, make an unworkable system somewhat workable, and gain bipartisan support for a smooth passage through Parliament. But even though they were very similar to the recommendations that the Opposition had made during previous debates, they have been immediately lampooned and face a difficult passage through the Upper House. I still find it incredulous that amendments designed to increase the use of shipping to move long haul heavy cargo are consistently rejected by Labor and the Greens, when the net impact would be to: reduce greenhouse gas emissions, reduce road congestion and infrastructure demand, increase jobs across the Australian economy, and reduce the number of needless deaths in heavy vehicle road accidents. Clearly, I am not a politician. ▲