

# SHIPPING

## AUSTRALIA

# CORONAVIRUS

Symptoms shake the shipping industry

## PROFILES

ALEX RAWLEY, LEN PHILLIPS AND SACHI WIMMER

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**02 FROM THE BRIDGE**

**08 VIEWPOINT**

The “Dis-United States of Australia”

**10 PROFILE**

10 ALEX RAWLEY, director, Ocean Network Express  
14 LEN PHILLIPS, general manager, Hyundai Merchant Marine (Australia)

**16 INTRODUCING**

JIM WILSON, policy and communications officer, Shipping Australia Limited

**20 WOMEN IN SHIPPING**

SACHI WIMMER, deputy chief executive officer, Australian Maritime Safety Authority

**22 MARITIME HISTORY**

22 No day too long, no task too arduous  
26 Burns Philp: ‘bloody pirates’ of the Pacific

**30 IMO 2020**

**32 COVID-19 IMPACTS**

Consequences for cargo shipping and seafarers

**34 THE SCENE**

**36 DANGEROUS GOODS**

Reform needed to save lives, ships and cargo

**40 NAVIGATION**

Roebuck Bay grounding - findings identify lack of training, and human error

**42 EMISSIONS**

Carbon-free ship propulsion by 2050

**44 WOOL**

The wool and shipping industries - a long history

**46 WINE**

COVID-19 sails Australian wine into murky waters

**48 ACHIEVEMENTS**

Shipping business student wins Shipping Australia prize!



**50 AUTOMATION**

Living with autonomous systems

**53 INDUSTRY ASSOCIATIONS**

AFIF and CBFA amalgamation

**54 BREAK BULK**

Port report: break bulk markets squeezed by ports and alternative competitors

**57 BUSINESS AND ECONOMY**

The economic impact on markets of the coronavirus pandemic

**59 OUR NORTHERN NEIGHBOURS**

59 Years of living prosperously – how important are Indonesia and Australia economic ties?

60 The Thais that bind through thick and thin

**62 LEGAL**

62 Cruising ahead of coronavirus and into a place of refuge

64 The COVID-19 pandemic and the contractual force majeure landscape

66 Cruise shipping and the coronavirus

**67 BOOK REVIEW**

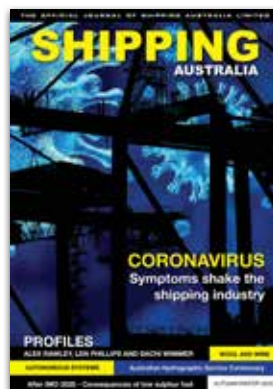
**69 LETTER TO THE EDITOR**



THE OFFICIAL JOURNAL OF  
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Front Cover:  
COVID-19  
over shadows  
international  
shipping in 2020



At home in isolation

## Shipping industry belt-tightening to survive the COVID-19 storm

By ROD NAIRN AM, CEO, Shipping Australia Limited

around. The early discovery of over 700 infections aboard the *Diamond Princess* in Japan in mid-February sounded the alarm bells in Australia, one month later the *Ruby Princess* has turned out to be our biggest single source of COVID-19 infection, with 10 per cent of all cases in Australia linked to it.

**A COVID-19-induced massive oil price slump** in March has been another economic shock wave and has rocked offshore oil and gas production industry. Rising from the ashes amidst an oil glut and even negative prices, the new darling of shipping has become liquid bulk tankers. Not for moving fuel around, because the demand has dropped so low that no one seems to want any, but for use as floating storage. According to Reuters, at the end of April there were an estimated 160 million barrels of crude oil being stored at sea. VLCC charter rates have jumped by more than 300 per cent and those wishing to move oil rather than store it are resorting to smaller vessels.

**The *Ruby Princess*** has been responsible for a lot more than COVID-19 infections. It also influenced some State governments to introduce unnecessary draconian restrictions on cargo ships and their crews. The handling of the vessel's arrival, clearances and passenger discharge has been under the spotlight in the blame game, with criminal investigations and a separate special commission of inquiry. Almost every bureaucrat and politician with any responsibility for health, port or maritime

management has since been powerless or unwilling to make any decision that has the slightest possibility of bringing a COVID-19 case into the State.

Unfortunately, **COVID-19 has highlighted the "Dis-United States of Australia."**

Inconsistent and irreconcilable State restrictions started to impact on the efficiency and safety of the international shipping industry even before the *Ruby Princess* really rocked the boat. This concern is fully explored in Viewpoint on page 8, so I won't expand on it here. But trying to convince State authorities to align their policies with the Federal Government's clear and sensible policies for international shipping and crew movements has taken most of Shipping Australia's time since the COVID-19 storm broke. Unfortunately, many of the problems remain, and New South Wales, Victoria and Western Australia have still not, at the time of writing, implemented the National Cabinet position agreed to on 9 April. A spiderweb of different rules still apply, and except for Queensland, there are still no clear published protocols on how the State authorities will assist ill seafarers and deal with ships with possible or confirmed COVID-19 cases.

**Helping to make sense of the confusion.** To help the shipping companies, agents and overseas load ports navigate through the labyrinth of COVID-19 restrictions established in Australia's States and ports, **Shipping Australia published a comprehensive web blog** listing the chronological

We certainly live in interesting times.

After "the worst bushfire season in living memory", according to New South Wales Premier Gladys Berejiklian, then floods in many of the affected areas, the greatest health contagion since the Spanish Flu pandemic 102 years ago is with us now. **The COVID-19 virus** is turning our world upside down, with no real end in sight. Back in 1918 the Spanish Flu infected about one third of the world's population and killed an estimated 40 million people before those that were left had developed sufficient immunity to survive. COVID-19 has infected nearly five million people and is responsible for more than 300,000 deaths but with a world population of around 7.7 billion the infection rate is only 0.06 per cent of the population. Encouragingly, the mortality rate of COVID-19 infection is relatively low, and more than 1.8 million people have recovered, so the chances of developing immunity are looking pretty good.

**There is usually one darling in the shipping industry** and for the past 20 years it has been cruise shipping, well COVID-19 has certainly turned that one



Disinfecting common use areas of the ship

Image: Wallenius Wilhelmsen Ocean, May 2020

changes to rules at the Federal and State (and in some instances port) levels. This is kept up to date and available from our home page. As the changes to regulations accumulated, even this became difficult to follow, so Shipping Australia published a separate COVID-19 section of our web site detailing the extant regulations which apply at the Federal and State levels.

**The fact is that ships' crews are a very unlikely source of COVID-19 infections.** Ships crews are a small and isolated community who only occasionally come

into port and have limited contact with port maritime workers. Liner vessels are usually in port for less than 18 hours and during this time the crews take special precautions to prevent infection. Shipping lines are extremely careful to protect themselves against COVID-19; an infection on board would destroy the operational viability of the ship. As an example, *Wallenius Wilhelmsen Ocean* is keeping the business running during these challenging times by following regulatory health compliance to ensure that the people on board are safe, and

their vessels are kept disinfected for those visiting. In every ship there is also a strong sense of self-preservation amongst crew members, who are keen to protect their own health. The success of these precautions is evidenced by the fact that at the time of writing there is still not a single case of a crew member of a liner or bulk cargo vessel visiting Australia being found to have COVID-19.

**The ability to change crew members is crucial** if shipping is to continue. There are around 1.2 million seafarers onboard 65,000 ships at sea. Normal crew work



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contracts are for 11 months but because of the COVID-19 restrictions in many countries, replacement crew members cannot join ships, and serving crew can't leave. Seafarers who are forced to stay too long at sea experience fatigue, family distress, emotional disturbance, mental illness and personal injury. Some seafarers have been at sea continuously for 14 months, and now they can rarely even have shore leave. This has seriously increased levels of stress for seafarers.

**News that the New Biosecurity Levy has been dumped** comes as one piece of welcome news amongst all this gloom. On 20 May the Department of Agriculture announced that the Commonwealth Government will fund biosecurity adequately through budget appropriations and existing cost recovery arrangements for the Department for Agriculture.

This outcome aligns with Shipping Australia's consistently stated position that strong biosecurity benefits all Australians and is as important to Australia's security and economic well-being as national defence. Therefore, biosecurity should be properly funded via national budget appropriations, with all Australians contributing through the taxation system. Shipping Australia led broad industry opposition to the original biosecurity levy when it was announced in the Federal Budget 2018, two years ago.

This levy was due to be in place by July 2019 but was finally pronounced dead in December 2019. Brigitte MacKenzie, the then Minister for Agriculture, said it would be replaced by a "New Biosecurity Levy" after proper industry consultation.

The Government's decision not to proceed with the levy may well also have been influenced by external factors such as the impacts of summer bushfires, floods and COVID-19 on the budget, industry and the Australian people. But it is the right decision. It means that Australia will continue to have strong biosecurity, with the added certainty of the function being properly funded by the Federal budget.

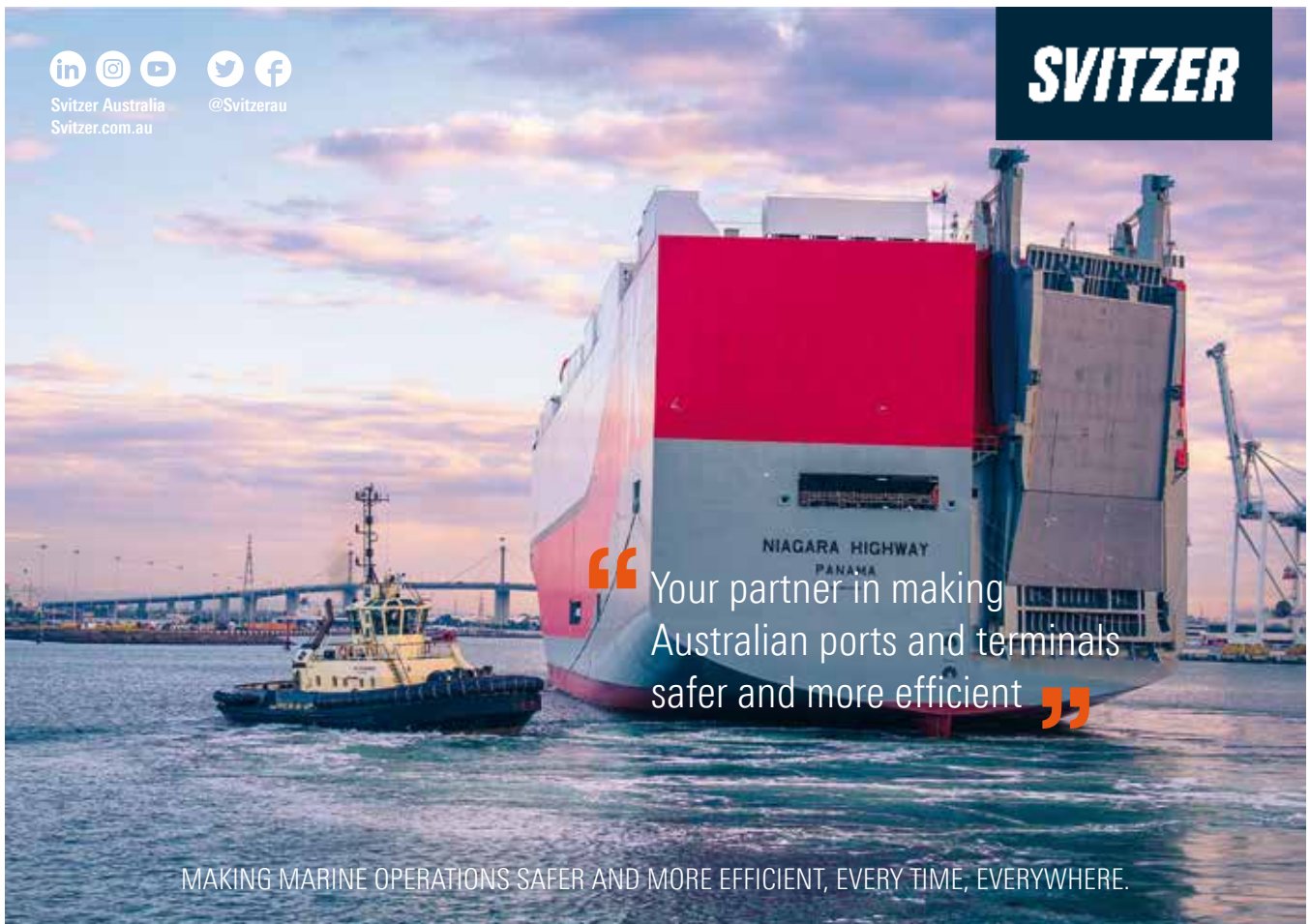
In January, **Shipping Australia was pleased to welcome Ocean Network Express and Hyundai Merchant Marine as full members.** Ocean Network Express, known as ONE, is a joint venture between former independent Japanese carriers MOL, NYK and K-Line. ONE commenced operation in July 2018 and has continued to grow its capability and reputation ever since. ONE's Australian CEO Alex Rawley is profiled on page 10. Hyundai Merchant Marine has been a significant global player in the container market for years and is now focussing on ramping up its Australian operations. Head of Australian operations, Len Phillips, is the subject of our second

Profile on page 14.

**Shipping Australia strengthened its capability in February with Jim Wilson joining the team** in a full-time policy and communications role. Jim brings a world of experience and will certainly strengthen the ability of Shipping Australia to achieve pursuing our primary purpose of promoting safe and sustainable shipping. Jim is already well known and respected in the Australian ports and shipping sector from his time as editor of Lloyds List Daily Commercial news. You can find out a bit more about Jim in our article on page 18.

After a few years in the doldrums, the ACCC has commenced working on the development of a **class exemption for ocean liner shipping.** This was one of the Government endorsed recommendations from the Harper Competition Review, and if the class exemption proves suitable it may eventually supersede Part X of the Competition and Consumer Act. A discussion paper was published last December, and throughout January and February Shipping Australia coordinated a series of consultations to prepare a consolidated shipping industry submission. The Shipping Australia submission is available on our website.

**The price of pandemic.** It is no secret that shipping lines are experiencing a



severe cash flow squeeze. Ships have been forced to change port rotations, terminal windows, and vessel speeds to comply with Government and port authority restrictions. That all comes at a cost. A 14-day stay-away period for some ports has forced several shipping lines to delay ships for days, at a cost of around \$25,000 a day. Adding to that, a general decline in volumes has led to sailings being blanked. Shipping lines are incurring additional costs to deliver cargo. This is an unsustainable burden on shipping lines that could lead to a reduction of shipping services to Australia. The shipping industry globally is looking at all options for cost saving. As an example, some ships are bypassing the Suez Canal and taking the long way around Africa. Even with the eight days extra steaming, saving can be made despite recent discount rates for the Suez Canal fees, though there are no such options for savings for ships visiting ports in Australia. Each port is realistically a geographic monopoly and there are few effective price controls in place.

**The Port of Melbourne is one example of where effective pricing control measures were put in place during the privatisation process.** The port pricing order stipulated the limitations on increases to prescribed services and allows for the recovery of prudent investment costs once the initial price increase limits expire. Well that is the theory, but in January, despite objections from Shipping Australia, we saw the Victorian State Government amend the pricing order to approve an additional tariff of \$9.75 per TEU on full import containers from 1 June 2020. This increase is to pay for a \$125 million port rail project that does not yield any benefits until 2024 and doesn't include services to Webb Dock. Shipping Australia is strongly in favour of on-dock rail development but the whole payment regime has been turned on its head. Customers are comfortable with the user pays principle, but I don't recall having to pay for toll roads before you can drive on them. The people and companies who are being asked to pay now may not even be around to see the results of what they are paying for.

In mid-March 2020, **Shipping Australia wrote to 30 ports and related service providers** and requested they consider a temporary fee-reduction or at least defer any fee increases planned for July. The overall response has been disappointing but there are some pleasing exceptions. Shipping Australia acknowledges the support of Port Phillip Sea Pilots who are offering a 10 per cent discount during the current health crisis and challenging economic conditions. Another positive response was received from the Port of

Brisbane who confirmed that they will defer their normal annual increases for 12 months. There is still some hope for further relief as some private and State-owned port operators have indicated that they are still considering their positions.

If we were able to issue **a red card for unreasonable increases in this period it would have to go to Port of Newcastle** for their new navigation service charge implementation. Thirty-three per cent does seem well above the "reasonable" level. Though to be fair, they did announce their increase back in December. They also agreed to defer its commencement by three months to allow ship owners and agents to consider taking up an alternative offer of a locked-in four per cent per year increase for the next 10 years, regardless of what happens to CPI. It does seem like a bit of a 'gun to the head' negotiation, and a real windfall to the port as CPI is likely to go south for a while. But Port of Newcastle is a private monopoly port and can do what they like. Shipping Australia sees this sort of outcome as a failure of the New South Wales Government's privatisation process, which created a monopoly corporate owner of the port and the channels without any form of price regulation.

**If there is one good thing to come from the COVID-19 crisis** it has been the greater public visibility of the importance of freight that it has awoken. Yes, when supermarket shelves begin to empty as panic buying and hoarding hysteria grows, even confirmed landlubbers and not-in-my-backyarders start to ask why. And the answer is... **freight must be given priority.** Sea-freight provides our basic needs and lifestyle wants, and land-freight brings it to our door. Perhaps even

the politicians will realise that sometimes freight does vote?

Our recovery from the COVID-19 economic crisis will be driven by significant accelerated investment in infrastructure. Infrastructure Australia's announcement of the **priority project status assigned to the Port Botany Rail Line Duplication Project** is certainly welcome news. Planned works will include the building of kilometres of new track along with realignment and upgrading of the existing track. The works will better connect Port Botany to the rail freight network and will increase freight capacity. One thing needs to be emphasised - careful planning is required to avoid operational service disruptions and additional costs to shipping lines.

Roadworks are not normally a hot topic for the shipping industry, but when it comes to servicing access in and around the port of Botany then priorities are bound to change. Shipping Australia continues to support a coalition of industry associations lobbying the New South Wales Government to **reinstate the Sydney Gateway on and off ramps at Canal Road, St Peters.** These ramps were in the initial design of the Sydney Gateway but were removed by the State Government as a cost saving measure. Without these ramps the Cooks River intermodal terminal will be isolated by gridlocked truck traffic through the suburban streets of Mascot. The residents will not be happy either. We call upon the New South Wales Government to reinstate the ramps and keep freight moving.

This year marks the **100th anniversary of the Australian Hydrographic Service.** Twenty years after Federation as the strains of the first world war had limited



*Australian Hydrographic Service Laser airborne depth sounder F27 over flies HMAS Moresby (II) with survey motor boat in company* Image: Department of Defence



Burns Philp ship MV Malabar runs aground at Malabar – the suburb named after the ship (wreck)

Image: Sydney Heritage Fleet

the ability of the British Admiralty to allocate ships to the task, the Royal Australian Navy founded its own hydrographic service on 1 October 1920. We mark this historic event with a short history of the Australian Hydrographic Service on page 22.

June this year is also the **50th anniversary of the sale of the last Burns Philp Australian crewed vessel the MV Moresby** ending a rich chapter in Australia's maritime history. From 1885, the company's ships had been servicing Australia and the Pacific

Islands, and serving up economic support and Australian influence throughout the region. At its peak in the 1950's, Burns Philp operated 60 vessels and a network of company stores across Australia, Papua New Guinea, Vanuatu, the Solomon Islands, Norfolk and Lord Howe Islands, Kiribati and Tuvalu, Fiji and Samoa. The China Navigation Company made inroads into the Australia/New Guinea trade with its New Guinea Line in 1952. Burns Philp leaves a legacy of historic buildings throughout the Pacific, including its

heritage listed sandstone headquarters at 5-11 Bridge Street Sydney.

**Our social pages** are necessarily a bit skint in this edition but on 4 March, before the lockdown, Shipping Australia was fortunate to be able to hold our **NSW Shipping Industry Golf Day** at the Coast Course, Little Bay. With torrential rain in the morning there was some doubt about the event, but the sun broke through before lunch, the picturesque Coast Course drained quickly, and all went to plan for a fantastic afternoon. In a close fought competition, the team from Qube took the honours; see the write up and photos in the centre pages.

Finally, I would like to draw your attention to a **letter to the editor** printed on the last page of this magazine. Perry Sutton, of Torres Pilots, has made some forceful comments and observations about the 'Future of Power' article in our Spring/Summer edition. Clearly there is plenty more to say on where Australia and the world should and will chose to go to keep the lights on and the engines turning.

If you wish to add your point of view, or disagree with something in this magazine and want to have your say, please write to [feedback@shippingaustralia.com.au](mailto:feedback@shippingaustralia.com.au). No matter your point of view, we would like to hear from you. ▲



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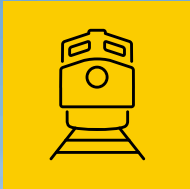
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# VIEWPOINT

## The “Dis-United States of Australia”

By ROD NAIRN

The media is having a bit of fun pitting State against State and Premier against Premier over COVID-19 border closure restrictions that might impact on someone’s holiday plans. That might be a bit of fun but the underlying problem of States independently acting in their own narrow-focussed self-interest is bad for Australia’s international reputation, and bad for Australia. How can the States be brought into line on matters that affect the national interest? Perhaps it is time for a bit of Constitutional change?

I’m not the only one to think so. At the Council of Australian Government meeting on 13 March the Prime Minister, premiers and territory leaders decided to form a new National Cabinet in an attempt to deliver a consistent national response to the COVID-19 emergency. It was an attempt, but perhaps too little too late?

International maritime trade was disrupted by inconsistent and irreconcilable State restrictions even before the *Ruby Princess* really rocked the boat. Within three days of the Prime Minister’s 1 February announcement of international travel restrictions on passengers from China and South Korea, various maritime authorities around our diverse country started to put in place restrictions on international cargo vessels arriving in Australia.

Port Authority of New South Wales announced that they would not provide pilots for vessels from China or South Korea until the vessel had been at sea for 14 days. They later changed this definition to 14 *calendar* days meaning that some vessels had to wait almost 15 days. Despite a complete reversal of risk profiles

from China and South Korea since, these restrictions remain in place. Maritime Safety Queensland also imposed 14-day restrictions on arrivals from China and South Korea, as did Tasmania and some ports in Western Australia and Northern Territory. The confusion for international vessels was further exacerbated by some individual ports and terminals imposing additional “stay-away” limitations.

### **Increasing restrictions is so easy, but there is not much appetite for removing them**

Within a week of the Prime Minister’s announcement, the Australian Border Force clarified that the national policy allowed all international vessels to berth and be worked on arrival, whilst the crew was required to wear personal protective equipment or remain isolated until 14 days had expired. This policy was blatantly ignored by some State authorities and has still not been uniformly applied more than three months later.

Again, when the Prime Minister extended travel restrictions to all nations from 15 March, Queensland immediately extended the 14 day stay-away to vessels from all ports (which they quickly rescinded for Brisbane under threat of isolation) and Australia’s States independently placed uncoordinated restrictions and quarantine requirements on crew members’ movements. These actions threatened the very continuation of international trade, created uncertainty, negatively impacted on essential activities for safe ship operations, and effectively made crew changes impossible.

### **Ship arrival restrictions have a significant impact on shipping**

Liner shipping works on tight schedules and even tighter profit margins. Due to the stay-away restrictions, some shipping services had to change their port rotations to avoid expensive waiting time. Some amended their ports of call and negotiated new stevedore windows, yet others found that they had to routinely blank sailings in order to delay a week and remain on-window. The additional costs of these actions have added to the challenges of keeping international shipping services operating. Bulk shipping is also impacted, and while they are more accustomed to queuing to await berth availability, extending this waiting time unnecessarily is a cost penalty that neither the ship owner nor charterer should have to bear.

### **The situation for maritime crew movement is even more farcical**

The Federal Government rules confirmed on 16 March, allowed crew from ships to go ashore after they had served their 14-day isolation since their last overseas port, and to transit through Australian airports at any time using PPE. Maritime crew arriving by air are exempted from 14-day isolation periods and can travel directly to their ship. But some State governments didn’t allow crew members ashore at all and forced crew arriving by air into hotel isolation. A maritime crew from Western Australia delivered a tug to Singapore, then disembarked and spent 14 days in isolation there, then 14 days quarantined in Sydney, then 14 days quarantined in Perth, before being able to travel home. Who can make sense of that?

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## From overseas Australia looks like a joke

When the Federal Government announces Australia's international travel policies, and based on those policies, ships and crew members arrive here to go about their business, they do not expect to be confounded by additional State regulations. One crew member arrived at Sydney expecting to travel by private car and join his ship three kilometres away that day (at no risk to the public) only to be bundled into a bus with forty other arrivals and interned in a Sydney hotel for two weeks. He was then allowed to fly home, his ship having sailed, and the crewman he was due to replace retained on board past the end of his contract. Many ships arrived at Queensland and Western Australian ports to be told to stand off until 14 days had passed. Overseas shippers have contacted Shipping Australia to seek advice and we have been able to advise on the order to call at ports to minimise delays or which State to fly into to conduct a crew change. But the situation is laughable.

### One shining light

In this labyrinth of uncoordinated Federal and State regulation, the regular Maritime Transport COVID-19 teleconference hosted by the Secretary of the Department of Infrastructure, Simon Atkinson, has been

one saving grace. This meeting aims to bring together all the heads of Federal and State transport authorities, along with their departments of health, transport, industry associations, ports and unions. It has been enlightening to hear the problems being caused by uncoordinated State regulations and to see something done about it.

A second highlight has been the cooperation and willingness shown by all participants in this group to fix problems. This committee has been vital in achieving the outcome of keeping freight flowing, which in turn has been vital to the success of Australia's initial response to the COVID-19 pandemic. Through this group, the urgency of coordinating State regulations to enable safe and efficient freight movements was addressed. Opening truck stops and permitting trucks and trains across State borders was resolved, and consistent rules for working international shipping allowing crew changes to occur was identified and the matter elevated to National Cabinet.

I thought this seemingly intractable problem was solved on 9 April when the National Cabinet agreed to implement a consistent and immediate exemption for non-cruise maritime crew to provide for the transiting to and from their places of work, within and across jurisdictions with

agreed documentation. National Cabinet also confirmed agreement that cargo vessels would be permitted to berth and be worked on arrival.

South Australia was already effectively compliant. The Northern Territory and Tasmania comprehensively updated their exemptions, as did Queensland after a careful risk review process and adopting IMO recommended crew change protocols. Of concern though, six weeks after the decision, changes have still not been implemented in New South Wales and Victoria, where most international flights currently arrive, or in Western Australia, where there is a substantial demand for crew changes. The ability to change crew members is crucial if shipping is to continue.

The States of Australia have every right to prioritise the health and safety of their people, but they should also be bound to act in the national interest. States do not have the right to override Federal Government on international policy and one would think that movement of maritime crews and the maintenance of unimpeded international trade falls into this category. One can only hope that the National Cabinet grows into an organ that truly coordinates the policies of the States and allows Australia to function as one nation. ▲



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ALEX RAWLEY, director, Ocean Network Express

## A joyful life in shipping

By JIM WILSON

Shipping Australia is pleased to welcome global liner shipping company Ocean Network Express (ONE), as a new member. Jim Wilson caught up with ONE's Alex Rawley.

"We're doing very well," says Alex Rawley, country manager of Ocean Network Express. "We're strong. And we want to get stronger. We want to grow in Australia."

In October 2016 Nippon Yusen Kaisha, Mitsui OSK Lines and K-Line, told the world they would create a liner shipping joint venture - ONE.

The container staff of the three Japanese companies were told by email at about 2pm one afternoon in October 2016 that they would be combining into a new company, with start date April 2018.

"We were all surprised," Rawley

recalls, adding, "I'd always said that the three Japanese lines would never come together, and that's why I never make bets!"

After the email shocker from Japan, "nothing seemed to happen" for a while.

But that was a prelude to the sheer hard bloody work and grind that it took to create ONE and get it up and running.

"It was very 'character building'. It was an interesting experience," Alex says with a wry smile. "It was great training... although I wouldn't recommend it to anybody!"

Alex was seconded to a committee to set up ONE at the end of 2017. Offices had to be found, staff had to be hired and infrastructure set-up.

"It was hectic setting things up. But not as hectic as it was to become," Alex recalls, referring to a variety of teething troubles, subsequent work-arounds and long hours.

"But I enjoyed it. You learn to deal with things. I've become a calmer person than before. It's easy to throw your toys out of the pram but then you're still stuck with the problem," he says.

ONE is still changing.

"I can't believe we've been doing this for two years. We're not the company we were a year ago, and we won't be the same company a year from now. We've got such goodwill from our staff, the shippers, ports and stevedores," he says.

### A life in shipping

Shipping has been Alex's working life.

Although he didn't have a family background in the maritime industries – his dad was a copper – Alex grew up a short distance from the waterfront at Tilbury Docks, in London, England. This was before the International Ship and Port Security Code fenced off ports and shipping forever.

"It was the mid-70s. The docks were chock-a-block with ships and there were loads of people milling about," Alex says.

But even though he could see the ships, getting into the shipping industry in mid-1970s England wasn't easy. Trade unions were militant and powerful, and that resulted in the





closed shop, so it was difficult to get into shipping directly, without connections.

“It had to be a father-son relationship, that, or some other close relative,” Alex says.

Ship agency wasn’t subject to quite the same restrictions. An advert in the paper looked interesting to Alex because it had “something to do with ships”. It was a ships’ husbandry job. That was followed by a promotion into sales. Most of the business was done in a smoky pub, especially by the main exporters who would hold court on the Friday, for the next week’s cargo. Deals were done over a pint and with a shake of the hand.

“Back then you were dealing with big, powerful, people. You learned respect. You learned that you always had to tell the truth. Your word is your bond. Clichéd, but true. If you didn’t, you’d simply never get in to see them again,” he says.

1970s England was rife with class-snobbery and the Old Boys’ Network. Alex recalls that certain people from particular backgrounds tended to get the opportunities more often than people who did not come from such backgrounds.

And that irritated Alex.

“I just do what I do. If I see a perceived injustice, not just against me, it irks me. I just wanted to do the best I could,” he says.

#### **Australian adventure**

At the time, Alex’s sister was living with her then boyfriend in Melbourne. She wrote to Alex regularly about going to the beach and living the Aussie life.

“And there I was in the UK dreading the arrival of the gas bill. So, my then girlfriend and I thought we’d give Australia a go,” he says.

They jumped on a plane and landed in sunny Melbourne on a year-long working-holiday visa. Alex immediately got a job for nine-months with Union Bulkship’s Melbourne, that was followed by three months travelling up and down the east coast of Australia.

“I remember how different Australia was to London. It seemed very friendly. There was a certain Aussie way, like they’d known you for 50 years. They got you to join in and be part of the group. No airs and graces about it. It was easy to make and keep friends. Even the way they dressed in the office was different. I can still this one older fella... he wore long white socks, shorts and a brown

khaki shirt. All that he was missing was the Pith Helmet! They were very hard working and they would help you too,” he recalls.

Unfortunately, the good times could not, and did not, last, the visa had lapsed. Alex and his girlfriend had to go back to the UK and move back in with their parents. They were working hard but not getting ahead. It was the early 1980s in Margaret Thatcher’s Britain. It was not a happy place. “You think there must be something better. And, having been to Australia, I knew there was,” he says.

So, they quickly decided to emigrate to Australia, even if it did mean saying goodbye to his beloved “Gunners” (Arsenal) Premier League soccer team. Then, one happy day, the official letter arrived accepting Alex for emigration.

“I was elated! I was back! Excited and feeling a little trepidation. I didn’t have a job in Australia and I’d never really been out of work.”

He needn’t have worried. Upon arrival, he was lucky enough to be offered a job doing ship’s planning with Union Bulkships.

That was followed by a sales role. Ships were full of machinery and steel, food stuffs and beer. And even little half-

high containers full of bins with live fish from Tasmania! It was a busy, vibrant, time.

"I learned a lot. How business worked. How to manage people, and I took to it. I always thought that you should talk to people how you want to be talked to," he says.

By the 1990s, Union Bulkships had become agents for Mitsui OSK Lines and Djakarta Lloyd. He travelled around Asia, to Hong Kong and South Korea, among other places. From travels and work, Alex was exposed to different ways of thinking and acting.

"Not the UK way. Not the Aussie way. But other countries' ways. It was all an eye-opener. Different cultures. I tried to immerse myself. I realised we're all the same. Work was fun. I got to see the sights and meet lots of people".

#### Growing in seniority

By 1995, he was managing the Melbourne office for MOL. The experience expanded his career and he was responsible for profit and loss, branch administration and for managing people.

"As you become more senior, your

views are more listened to. With decision-making, you were part of the team. You were responsible. If there were losses, why? Then you'd get the phone call from the boss. One week, the boss queried me over an increase in the use of printing paper! Why would you ring someone up and ask that question? That's real old-school. Perhaps I've turned into it, I don't know," he laughs.

By 2000, Alex was looking for a bit of a change and he was asked to move from Melbourne to the Harbour City, so he hopped on a plane to go and live in Sydney. He was a trade lane manager for South East Asia. It was a heady time as the Sydney Olympics were on. The Australian trade lanes were becoming much more competitive than previously, owing to the arrival of the Chinese shipping lines.

"Rates dropped dramatically, and they haven't gone back up again. In hindsight, we were all doing what we'd done for the last 20 years," he said.

In 2007, Alex became a director at MOL Australia, which led to a big increase in responsibilities. It also led to some solid working relationships.

"Mark Austin and I, who was another director, made a good team. He was steady and sensible. I was the giddier of the two, always wanting to push things and take new opportunities. Both of us were unlikely in our roles but we got the work done. We grew our business.

Work carried on as normal until that fateful day in October 2016, which is when the creation of the ONE joint venture was announced. Alex enjoyed the new challenge as was appointed country manager in 2018.

#### Looking back on a life in shipping

Looking back over his long career, Alex reflects on a life in shipping.

"I still enjoy shipping, even today - every day is different." Alex tells Shipping Australia.

And what he's enjoyed most is dealing with people.

"It's the joy of dealing with people. They're interesting and fun. The vast majority of people have been great. Shipping is a great industry. If you can get into it, get into it. Be nice to people. And stay calm. And see the humour in everything," he says with a smile. ▲

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LEN PHILLIPS, general manager, Hyundai Merchant Marine (Australia)

# Dinosaurs, cavemen, trucks, ships, and spacecraft – the broad life of Len Phillips

By JIM WILSON

Len Phillips is the general manager at Hyundai Merchant Marine (Australia), which is one of Shipping Australia's newer members.

Len explains that HMM is in the process of establishing itself in the marketplace in terms of customers, suppliers and within the industry itself. "We've been working on that for the last couple of years. Ultimately, we're running ships profitably," Len says. He adds that HMM is taking on 20 new large vessels and is joining The Alliance. The company is looking for growth in the Australian market. "What we want to be is a 'full operator' – at the moment we do North East Asia, Korea and the Chinese ports. Our ambition is to cover southeast Asia, New Zealand, the USA, everywhere. That's the ambition," he says.

Len took over HMM (Australia) in June 2018. He says that when he took over the job, he was "happy, excited! It was a brand-new blank slate, and they were ready to go out and make a statement in the industry. There are some really great people here who will have a great future in the industry. They will have opportunities to expand their horizons".

## Going back a real... long... way

Len started off his career being fascinated, no not with ships, but with dinosaurs and cavemen. He explains that he was always interested in pre-history and history. There's an old saying that we are "standing on the shoulders of giants," Len says, adding that we are, all of us, a product of what has come before. "I've always felt a connection to history – everything that we have done as a species and as a society is built on everything that has been done before, it's a continuum," he explains.

So he went to university and studied Pre-History and Anthropology, where he met Yvonne, now his wife of 35 years.

Unfortunately, when he left university, there

was a massive recession underway and world economies were suffering rampant inflation. Here, in Australia, then Prime Minister Bob Hawke had either just, or was about to, introduce the Prices and Incomes Accord. There weren't a lot of jobs, so Len took a job driving a truck with TG Manning. "Truck driving was a very different world," Len laughs, adding, "that's exactly the point my boss made during my job interview. He didn't want to employ me because of my education".

Luckily, Len comes from a long line of truck drivers. "Everyone plays a part. Everyone has their role. So I went out and did the job. I was like a sponge and I soaked up information about customs clearance and freight," he says. His manager at the time thought Len was too highly educated though and encouraged him to apply for the graduate programme at Australian National Line. It was a two-year programme that started their grads in the mail room.

## Ignorant... and stunned

"I didn't know very much about shipping at all. I was a little bit stunned. I thought, 'how hard can it be?' But going through the various departments, I realised there was a lot more to it than I thought".

Len was taken under the wing of Shipping Australia's very own Frank Needs. "He really helped me out. I was in sales and I was struggling. Frank really helped me out. I have very fond memories of my time at ANL," he says.

With great struggling sometimes comes great mistakes. Len had some... character-building learning experiences ... and he recalls one particular stuff-up with a groan.

"Goodness! My biggest mistakes involved not understanding the power of politics in a large company. I made some errors by not understanding how facts, which could be correct, might make me look bad. I also once gave a quote for a very large company. I was told that it was correct. But everyone quickly knew that we'd undercut. For me personally, I got a rap across the knuckles. A gentleman by the name of Mike went and fixed it with the conference partners. I appreciated the management support though, and it made me more diligent," Len explains.

Later he took his first line management role and it wasn't the easiest experience. Some of the other staff thought they should have had the role and did not behave as professionally as they might. They engaged in tactics such as reporting to Len's boss rather than him, not filling in or filing paperwork, not attending meetings and so on.

"So I had to grow. I did some management courses. As a very green person, I didn't manage it optimally. As an older, more experienced person, I have developed more strategies that I can use. I also learned that you can't please everyone all the time. I also learned to research decisions and to stick to them," Len reflects. It's sound advice for any-first time manager.

## Persistence wins the day

There were big wins too. Len recalls a supermarket, Franklins, which was a heavy discounter, that was owned by the shipping agency, Jardine, via an intermediary company. For about a decade, the company refused to ship with ANL.

Len formulated a plan and set out to deliver. It took 18 months just to get the

# Len Phillips: a life

## Hobbies

Len likes to play and write music, particularly 70s and 80s music - guitar and bass. He's also played a bit of sax, along with keyboard and drums. His musical influences are "hair bands," he laughs, like Bruce Springsteen, Van Halen, Neil Young and Bob Dylan. "Not so much The Beatles, although I know a lot of people think that's sacrilege!"

## Family

Len has been married to Yvonne for 35 years and they met at university, "believe it or not in Pre-History and Anthropology". He has two adult children. Isabelle (30), who works in mining as a lead geologist for Rio Tinto and son Edward (27), who works for software company Atlassian. "He explains to me what he does, but I have no idea! He's basically a computer programmer," Len says.

first appointment.

"The Franklins guy told me, 'My God, you're the most persistent representative I've ever seen! Normally, I tell them to bugger off and they're gone! But you're back every fortnight!' I remember when we got the first cargo for Franklins. I sent a telex to the HK office and I copied in Frank Needs. He came storming into my office and said, 'we've been trying for years. Are you sure?'. I showed him the telexes and he was very happy," Len says.

He had many more good years with ANL. By the early 1990s, the Government was keen to sell ANL and there were multiple rounds of restructuring. Then an intriguing offer was made by Cho Yang, a Korean shipping company.

They set up a job inside Barwil/Wilhelmsens, and it was a fun period in Len's career, working with good people. "I really enjoyed the whole set-up of the thing". He later became the New South Wales manager for Wilhelmsen, with a stint as the non-containerised cargo manager. That's anything that didn't include wheels, such as forestry products and heavy break bulk cargo.

And one Soviet-era Russian space shuttle, the "Buran". It was 20 per cent heavier than the US space shuttle, so heavy, in fact, it couldn't be flown with a crew. Although it did a few orbits unmanned.

Len's crew had to get it up the Moscow River before it froze, then they disassembled it on the main deck, brought it through Panama. When it got to Sydney, the Waterside Workers' Federation didn't

like the lifting gear, so they had to re-engineer the cranes. They even barged the shuttle some of the way. It ended up in Pyrmont, Sydney, where it was an exhibit for the Powerhouse Museum. "I got a much deeper understanding of supply chains. If it could go wrong, it did. It really told me what a supply chain really is," he says.

## From space shuttles to grocery trades

Later in his career, Len found himself working as the Oceania Reefer and Pacific Islands Trade Manager for Maersk. It was a very different trade. A fifty-TEU contract was a good contract. It was a small trade, with lots of family involvement. "You had to understand that to be successful. The guy who imports rice will be the brother of the stevedore, that kind of thing. You have to understand that shipping is their lifeblood. They really need it to survive," Len explains.

The Pacific trades have changed now and are more internationalised, but Len is quick to point out that it is still a grocery trade, with continuing demands to move equipment around, and lots of seasonal cargoes such as fish.

"I really enjoyed the camaraderie that the Pacific Islands agents have. They are hugely passionate about their industry and delivering what they say they are going to deliver. It is a joy to manage. They are out fighting the good fight and they are extremely loyal," Len enthuses.

After Pacific Islands there was a short stint with a little-known Australian stevedore. It went by the name of Patrick.

## Automation and a massive takeover

Patrick was very much "corporate Australia". Len thought it was a kin-industry to shipping but he quickly realised there wasn't as much in common between stevedores and shipping in workforce management, key performance indicators and driving forces. "I can tell you I was not bored!", he says.

Automation was already well underway, and it had already been done at Brisbane. Port Botany was next. There were many issues and discussions – union, legal, workplace safety among the forefront. Len's role was to make sure all the sub-contracts were in place for when they shut down the terminal. "It was an all-or-nothing move. We crossed our fingers. We threw the switch. And it all came online. Thank God," Len laughs.

Then Brookfield, an asset management consortium, threw down a huge bid to buy Patrick. Ports and logistics giant Qube chucked in a huge counter-bid. The bidding war was on. Bids were changed, offers were put together and, finally, months later, a deal was done. Patrick, or, rather, the parent company, Asciano, accepted a very complex \$9 billion takeover deal in a joint Brookfield-Qube bid.

"My job had slowed down because of the takeover; everything had to be run through layers of management committees and the bidders had to be kept informed. Toward the end, virtually all the other managers had gone. And I decided to move on. That's corporate life," Len says.

Looking for a new role, a friend advised Len that there was a shipping line looking for a general manager. That line was, of course, HMM.

Len's had a long and varied career in the shipping industry. He takes a moment to reflect on his experiences. "I really appreciate the shipping industry. The life I live is because of shipping. It has given me a great life, broad exposure to different cultures and to raise my family. You can make a very good career in shipping if you stick with it. It's not a monetary thing. It's not about extra pay. It's about quality of life. It's the people I've met. The memories. And understanding how other people view the world. The shipping industry offers so much." ▲



**JIM WILSON, policy and communications officer, Shipping Australia Limited**

## The new kid on the SAL team is not a new kid to the shipping industry

By A SPECIAL CORRESPONDENT

Former editor of Lloyd's List Daily Commercial News and experienced shipping journalist, Jim likes the idea of moving into a role where he can see the industry from an inside perspective and might even be able to influence shipping policy rather than just reporting on it.



Not that he regrets one minute of his time as a journalist.

"I've travelled a lot and seen places I wouldn't have seen, met people I wouldn't have met", Jim smiles.

Yes, he is a people person, he is always ready for a light chat or an in-depth conversation and has an opinion on just about everything.

And he's had plenty of practice. With four sisters, and his mother being one of 10

children, most of them still living around Jim's hometown of Liverpool, UK, there was always someone to talk to. Jim grew up through a never-ending round of christenings, funerals, weddings, and general family get-togethers.

**"If you want to invite the family around for a cup of tea, then you have to hire a hall", he chuckles, but I think he is serious.**

"I like to read and research", he says. Now I can understand why, who wouldn't want a bit of quiet time after that?

Jim's father was a postman and handyman and spent a lot of his time reading. Jim reckons he missed the handyman bit but really caught the reading bug. Don't ask him to hammer in a nail.

Logically his love of books headed him into a law degree, but it didn't turn out to be his long-term career choice. Looking at the jobs on offer in law he could see the risk of falling into something safe, mundane and repetitive, so he went looking for something a bit different. He likes the idea of travel and picked up the first position he applied for in providing venture capital-related information. It had elements of journalism in it, but it wasn't real journalism.

This job took him to London and away from the family, but he got used to it. In fact, it seems that just about every job has taken him further and further away. "Thank God for the telephone", he used to call home and talk to Mum a fair bit and often made the three-hour train trip home.

In the London finance sector, he rubbed shoulders with a few shipping financiers and took an interest in the industry. This led him to a position at Fairplay International Shipping Weekly. Jim says this was his first real journalist job and where he learnt a lot from senior journalists Patrick Neylan (editor) and naval architect Paul Gunton.

Contributing to a daily newsletter and a weekly magazine was relentless but the role also fed his travel desire, gaining a few more stamps in his passport while covering international shipping.

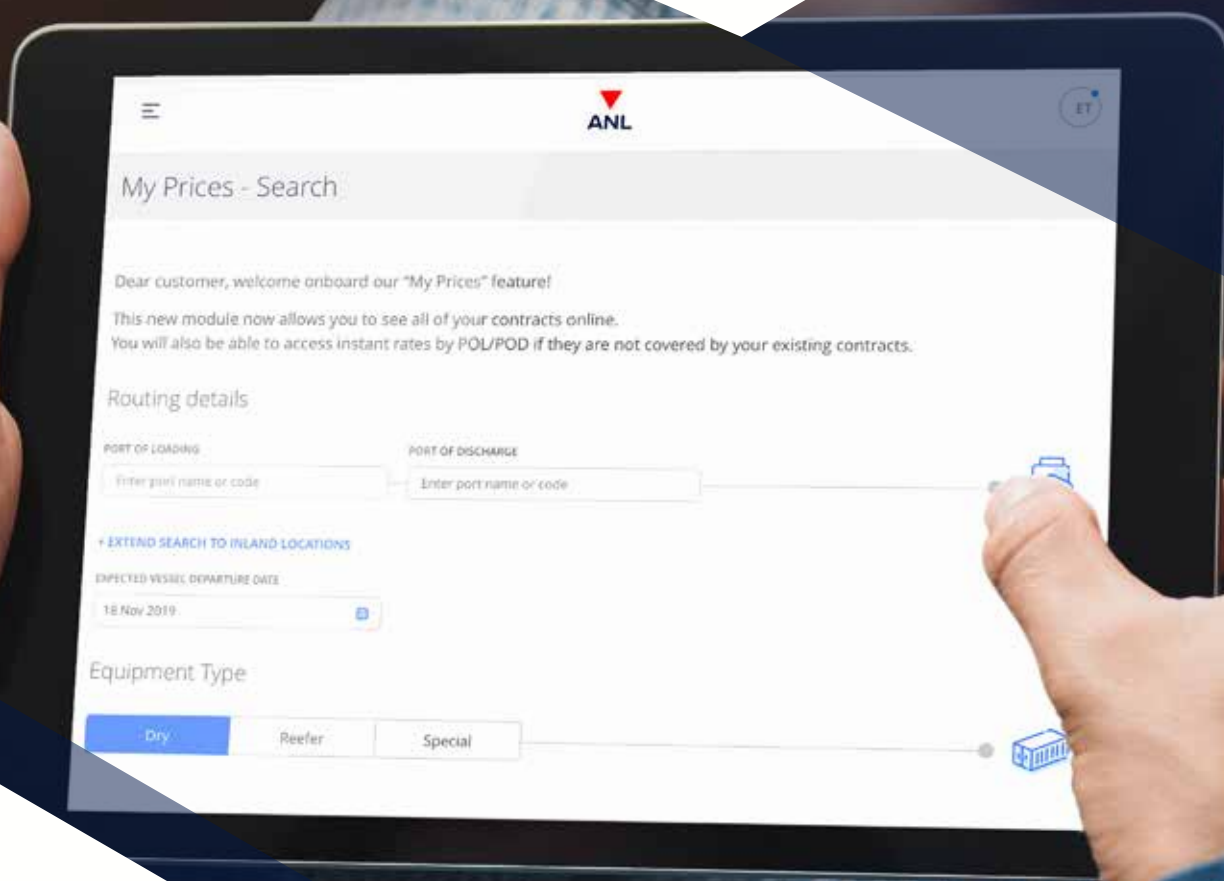
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Perhaps not enough though.

So, after a few years in London, he moved further from home to take up a once-in-a-lifetime offer for a new position in the Middle East setting up a new regional law magazine. This change ticked a trifecta of boxes: travel desire - tick, scratched an itch to use his law degree - tick, and a new challenge - tick. But it was finite and when the magazine launched, Jim was free.

Remaining in Dubai, Jim was re-employed by Fairplay as their Middle East correspondent. This presented some unique opportunities for Jim as he was the only maritime journalist there, and it was an exciting time.

"The nearest competitors were in Cairo and Istanbul, and the earlier formation of the Gulf Cooperation Council had kicked off a boom in trade.

"This was an amazing time for the expansion of ports and the building of new ones," Jim says.

It also coincided with a boom in piracy around the Horn of Africa. The modus operandi of the Somali pirates had changed.

"Pirates were massively successful. They were attacking vessels at over 600 miles

from the coast." An anti-piracy defence coalition also presented new opportunities.

"I was lucky enough to spend a few days in HMCS *Calgary* and while I was aboard, we got a mayday from the *Bunga Melati Dua*, a Malaysian chemical tanker, that was being attacked by pirates. Unfortunately, we were not able to interdict as we were hundreds of nautical miles away and the whole attack only took 10 minutes."

While based in Dubai, Jim was able to turn his interest in photography into part of his profession. He was inspired to study the art after lining up the perfect shot of an old man with a very sun-wrinkled face who was wearing the traditional headdress, the *keffiyeh*. He thought it would be a prize-winning photo, but it turned out blurred.

**He can still see the old man's face. "It was really frustrating, and it motivated me to learn about photography," Jim recalls.**

He also kept his travel dreams sated with extensive travelling and reporting across the region, including places like Iran and Djibouti in the Horn of Africa.

Jim's next move, getting further from home, was to Singapore as the Asia Pacific editor for Fairplay. He reported a

lot about oil and gas and bunker trading, "it was Singapore after all" and of course, there was plenty of regional travel.

Then came a phone call from someone who knew someone who knew something about LLDCN looking for a new editor. And Jim made the jump to Australia.

Well, you can't get much further from home, so Australia could be the end of the road for Jim. Although there is a rumour that he is trying to circumnavigate the world on the budget of small publishers, it does look like he's settled down. He's had three jobs here, taken up Australian citizenship, married and he seems to like the place.

"It'll do for now", he smiles.

When he's not reading or researching, you'll probably find Jim, camera in hand, taking a walk in the park or the bush or just having a beer and a chinwag with friends at the pub.

Thinking back to his first job in shipping, Jim remembers a conversation with former tanker sailor and industry consultant, Fred Doll. "Fred told me that 'shipping had a way of getting into your blood', I didn't think much of it at the time but here I am 20 years later working for Shipping Australia. I guess he must have been right." ▲

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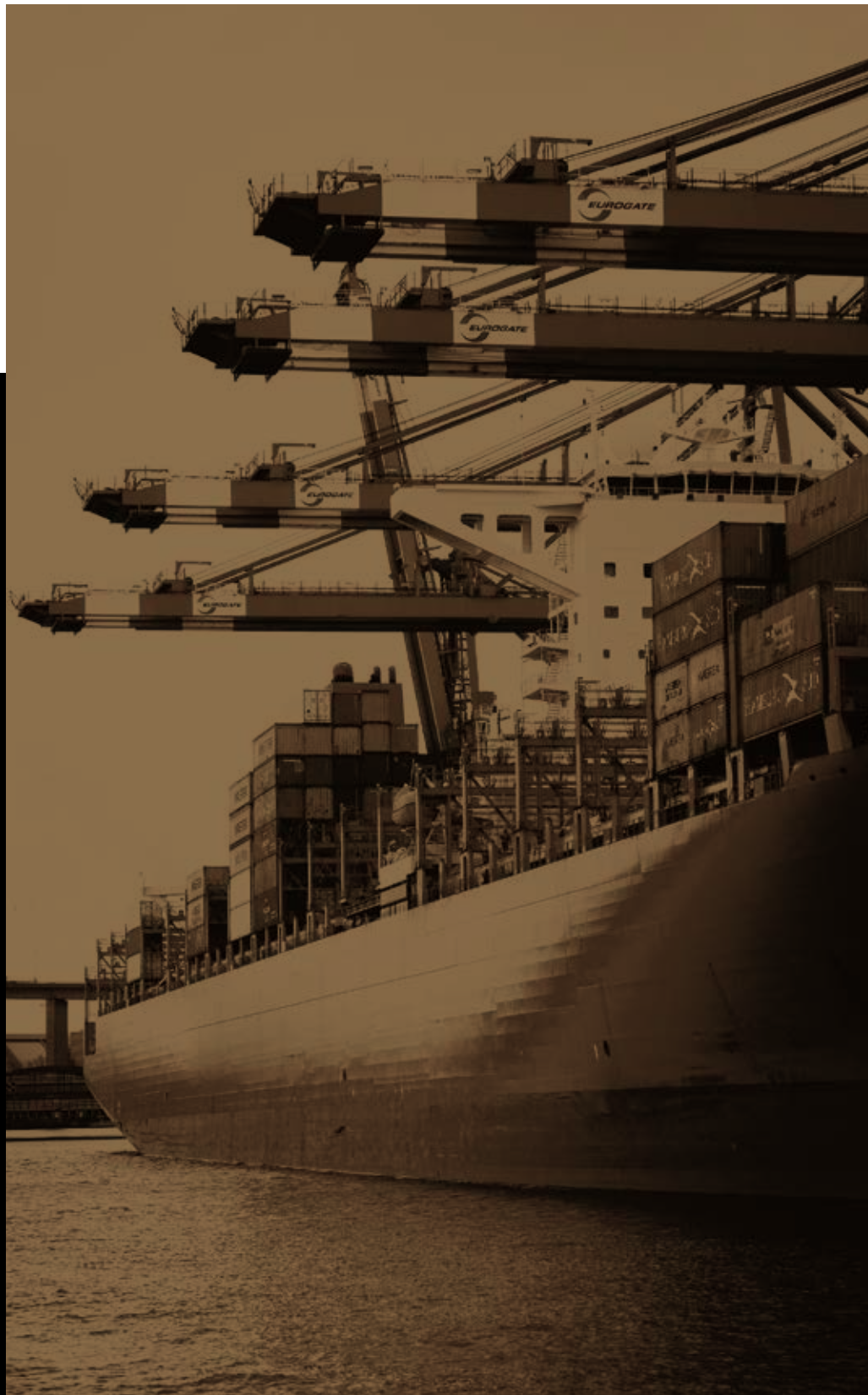
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SACHI WIMMER, deputy chief executive officer, Australian Maritime Safety Authority

## Well credentialled and highly motivated... what can't AMSA's new deputy do?

By JIM WILSON

Marine maritime scientist, transport security expert, fisheries expert and, now, an executive manager and regulator in the commercial maritime sector. Does Sachi Wimmer have salt-water flowing through her veins?

Sachi Wimmer was earlier this year appointed as the deputy chief executive officer of the Australian Maritime Safety Authority.

Sachi explains the attraction of AMSA. "I've done a fair bit of work in the compliance space. I've worked with AMSA in the past, from the outside, and it always struck me as a really mature, competent, regulator. I really like the regulatory

space, the marine maritime environment and maritime issues more broadly," she explains.

Sachi is very familiar with the maritime world – she's been involved with it in many different guises – everything from marine scientist, tour guide and security expert, among others.

Her undergraduate degree from the University of Sydney was in marine biology, with a focus on marine botany.

"Even as a little kid I always said that I wanted to be a scientist but I'm not sure I even knew what that was," she laughs. "I was inspired by David Attenborough and the naturalist Gerald Durrell. I've always been inquisitive and curious, so science was interesting".

After graduation in early 1994, it was not long after the end of Australia's "Recession We Had To Have", Sachi had spent a "nice year" on the Great Barrier Reef finishing off her honours year in marine biology but there wasn't a lot of work around for a newly-minted graduate.

"When I handed in my thesis, I thought 'oh my God, what do I do now?'," she says, adding that she "toyed" with the idea of becoming an academic.

She settled for, in difficult economic times, a job as an ocean tour guide at the coastal suburb of Manly, which is famed for its beaches, cliffs and its rocky shores. It was then she realised that marine biology did not have a good career trajectory.

She "fell" into her first serious job working with a lobby group and then worked for

some more advocacy bodies. But she wanted to have real influence, which she realised meant working in Government itself. A Master of Legal Studies in Environment Law followed. "Government is all about legislation," Sachi comments.

By the end of her law degree, Sachi was working in a government role for the International Section of the then Department of Environment and Heritage. "It was my first major job. Also, I was very focused on environmental issues. It fitted with where I thought my career would go. It's big global issues and concepts, and it was very slow. It was a great learning experience, but, I thought, it's probably not the right job fit for me. I'm probably not patient enough," she chuckles.

Sachi's Australian public service career was briefly interrupted with a short time in Papua New Guinea. Her then-partner got a job over there and so she followed. She was lucky enough to get a job as a fisheries advisor. Unfortunately, someone took "umbrage" at a variety of reforms that were going on – which, incidentally, wasn't in Sachi's area – and when her visa came up for renewal... it wasn't renewed.

Sachi was glad to come back to Australia and the Public Service, to continue her career. Life in Papua New Guinea could be... difficult.

"We lived in a fully-secure compound: dogs, guards, window bars, razor wire. The bedroom had a massive security door you could barricade yourself behind if you had to. But someone broke in. They threw a mattress over the razor wire, jimmed open



the bars and broke in. We thought we were safe because of all the security. But we weren't really. It shook me, it could happen to me. I was in my early 30s and thought I was immortal. Maybe my mortality came home to me," she laughs.

Back at home, she undertook an Executive Master of Public Administration, which is basically very like a Master of Business Administration but focused on government and public service.

"It was very helpful, and it rounded out my understanding of government. I most enjoyed meeting the people! They were fantastic people and we were in touch for a long time afterwards," she says.

As can be seen from Sachi's resume, she has worked extensively in the public service in a variety of roles. She says that most of her career is made up of bouncing in and out of the Prime Minister's Department. "It is my foundational experience – knowing how, when and who to talk to, to influence," she says.

Among the time she vividly remembers are times at the Office of Transport Security. It had grown massively after the terrorist attacks of 9/11 and there needed to be refocusing and transformation. During her time, the agency reformed how it dealt with risk, its policy and legislative agenda and also how the workforce carried out its operational compliance. Then there was the first major aviation-related terrorism plot in Australia, when malevolent actors tried to smuggle an improvised explosive device.

"It was very significant, as it was the first time it had happened here," she says.

There was also an intensive period when law enforcement agencies were pushing for criminality checks as part of the Maritime Security Identity Card process. There was a National Security Check – which checks if a person has any terrorist affiliations – but it didn't check criminality. Legislation was introduced but the unions became very concerned about how it might affect employment at the wharf.

There have been other intense high-stakes issues and matters too.

"I spent a lot of time working on people-smuggling for a number of different Prime Ministers including Howard, Rudd, and Gillard and Abbot. They were some of the toughest gigs that I have ever done. They were the jobs that really helped build resilience. They were fast, high-paced, and taught me how to put my own views aside," she says.

Later, in the early 2000s, there were lots of issues around illegal fishing, and Sachi feels she really worked on areas that delivered outcomes in the national interest – new legislation and more capable Australian patrol boats with greater range.

"It really felt like I'd driven a successful area of policy work," she says. ▲

## Outside of work

### Family and heritage

Sachi has a sister Joy, a naturalised Australian. Joy was a war orphan from Vietnam in 1975, which was at the tail-end of the Vietnam War. Sachi's parents adopted Joy.

Sachi is a first-generation Australian. Her parents are from Austria and migrated to Australia.

Surprising fact: "Sachi" is the shortened form of the Japanese name "Sachiko", a feminine name apparently meaning "child of bliss" or "happiness", when written in kanji. Hence the naming of the two Wimmer sisters: Happiness and Joy.

Sachi's first language is – or rather, was, German, and she had to learn English at an early age. "I can still understand German but I don't speak it very well," she says. Beyond enjoying a schnitzel, she freely confesses that she's "not very Austrian". That said, Sachi likes to visit Austria to see family when she can.

### Activities and interests

Sachi is a keen skier. She tries to blend skiing trips with visits to overseas family. She did a little skiing at school but came back to it in her 20s. "I thought, this is something I wanted to do," Sachi says, so she took a few lessons then a few more, and eventually became a skiing instructor, teaching at a mountain school in the Austrian Tyrol, part of the European Alpine mountain range.

Hiking is a favoured activity, whether that's multi-day hiking in South America or single-day walks. "I like to do long multi-day walks but I'm a bit soft now and like to go on catered walks," she confesses. She also hikes around the Canberra Centenary trail. It's a 145 kilometre walk but Sachi and a friend have broken it into 30 kilometre hikes each time. "It's good for a catch-up and a bit of a natter," she explains.

Sachi has also enjoyed caving, canyoning, scuba and skydiving. "I enjoy the adrenaline thrill and the mental preparation. It's the satisfaction and thrill of doing something that's challenging," she explains. Sachi also enjoys going for a run and working out. "I'm a much nicer person if I get up early and go to the gym," she laughs. She also enjoys group exercise classes, which are motivating because it is about keeping up with the other exercisers. Sachi is also a keen motorbike rider and with her partner, she likes to go touring around nearby parts of Australia such as in the South



Coast, the Southern Highlands, and the Snowy Mountains.

It's not all rocketing around, under, over, or on top of the Australian countryside though. She is a voracious reader, saying that her favourite book is "Rebecca" by Daphne du Maurier. "It has to be good quality writing. I can't stand Mills & Boon," she says.

Turning to TV, and Sachi enthuses about English drama and crime series. She also doesn't mind a bit of Scandi-Noir. Her favourite show that comes to mind is "Killing Eve", which is about a violent, psychotic female assassin. "I'm not quite sure what that says about me," she muses, adding that she's a fan of action films and James Bond in particular. "We just did a retrospective on James Bond as we're not going out these days. I've always quite liked Piers Brosnan and I quite like Daniel Craig. It's escapism for me".

Musically, Sachi tends to listen to whatever her partner puts on as "he's the music-man". However, she's often running to some kind of dance anthem and she likes alternative music by acts such as Massive Attack, a multi-award winning, English 90s hip hop group. She's also a fan of the Stevie Nicks-era Fleetwood Mac.

She has a "handkerchief" sized vegetable patch for gardening. After a busy week holding meetings and communicating with stakeholders and working inside an office every day, the outdoors and the fresh air is appealing. It also gives her a bit of much-needed time to herself. She likes gardening because it's creative. "I've gotten very good at growing zucchini – they're the easiest things to grow," she quips.

## No day too long, no task too arduous

### 100 Years of making shipping safer - a century of achievements of the Royal Australian Navy Hydrographic Service

By SUE MCDONOGH\*

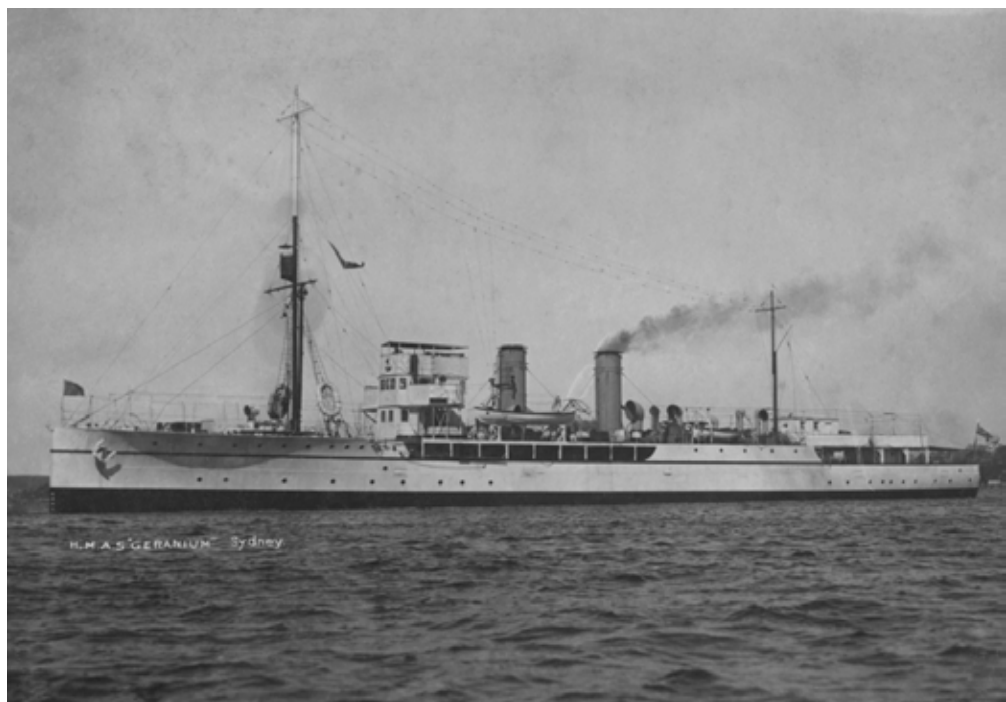
Shipping is the lifeblood of the modern world. Ninety per cent of all goods traded, travel around the globe carted by ships at sea. Hydrographers make safe shipping possible. Without national hydrographic services providing navigation data and services there would be no safe trade routes, and seafaring would be a very dangerous occupation at best.

October 2020 marks the 100th Anniversary of the Australian Hydrographic Service.

As an island nation, our Hydrographic Service was born out of obvious necessity, and has developed into a world-leader in hydrographic advances and technology.

Mainland Australia has one of the longest coastlines on Earth, measuring almost 32,255 nautical miles (59,736 kilometres). Add to this, the islands and territories for which Australia has charting responsibility, the total charting area encompasses an astounding 13 million square nautical miles. Comprising around ten per cent of the world's oceans.

Before Federation and up until the outbreak of World War I, British Navy survey ships carried out surveys in remote areas of Australian waters and nautical charts were produced by the British Admiralty Hydrographic Office. For large scale surveys, for example - approaches to harbours, the British Admiralty supplied surveying officers who joined local crews on boats provided by the individual States, through agreements drawn up by the



*HMAS Geranium – Australia's first hydrographic survey ship*

*Image: Department of Defence*

Royal Navy Hydrographer.

Following the Great War, the British Government encouraged its Dominions to establish their own hydrographic services. From this directive, the Australian Hydrographic Service (AHS) was born.

On 1 October 1920 Captain John Robins, formerly of the Royal Navy, was appointed Hydrographer RAN. The Hydrographic Department RAN was established in Melbourne, and HMAS *Geranium* was commissioned as Australia's first survey ship.

From taking soundings using a lead weight on a graduated line, lowered to the seabed - to using satellite imaging and lasers to collect data. From hand engraving copper plates to produce paper charts, to the computer-based Electronic Chart Display and Information System (ECDIS), which supersedes paper – hydrography has come a long way in the past 100 years.

The early days of the AHS saw a close collaboration with the British Admiralty Hydrographic Office, and while Australia carried out its own hydrographic surveys, our charts were printed in the United

Kingdom. The onset of World War II, and interrupted supply lines, highlighted the disadvantage of having our charts printed half-way around the world and the Royal Australian Navy (RAN) assumed the responsibility for production of our own charts in 1942.

### Legislative basis

For such a fundamental national navigation safety service continuing to meet Australia's needs and its international obligations, it is ironic that for 90 years there was no legislative basis for the Australian Hydrographic Service. It was not until 1946, following the war, that the Australian Federal Cabinet declared that the surveying and charting of Australian waters would become the responsibility of the Commonwealth Naval Board and that the cost of providing the service would be shared among the States of Australia. In 1988 the Richardson Review was conducted to determine the demarcation of responsibilities for land and ocean surveying and mapping between the Royal Australia Navy, National Mapping Department and the Australian Survey Office. Prime Minister Hawke adopted the Richardson Review recommendation that the RAN continue responsibility for providing hydrographic services to Australia, and the Australian Survey Office take all responsibilities for land mapping. The National Mapping Department was disbanded.

The Navy's hydrographic responsibility was finally written into legislation in the 100-year review of the *Navigation Act 2012*. Section 223 now defines the Australian Hydrographic Service and specifies its functions including: collecting hydrographic data, disseminating hydrographic information, and being responsible for the provision of hydrographic services and navigation safety products required by the Safety Convention (SOLAS).

In 2017, a further review saw the Australian Hydrographic Office and the Strategic Intelligence and Policy Group (SP&I) amalgamate to become the Australian Geospatial-Intelligence Organisation, with the Hydrographic Survey Force remaining in the RAN. Navy and the SP&I now share responsibility for delivering hydrographic services required by the *Navigation Act 2012*.

### Key milestones

#### The RAN Hydrographic School

Prior to 1966, training of specialist seamen to undertake survey operations (Survey Recorders) was carried out on-the-job at sea, whilst prospective surveying officers were sent to the United Kingdom to be trained. On 10 February 1966, it was announced a Hydrographic School would be established at HMAS *Penguin* in Sydney. The 'School' opened



Laser Airborne Depth Sounder – de Havilland Dash 8 aircraft 2017

Image: Department of Defence

on 14 March 1966 under the instruction of Chief Petty Officer Survey Recorder Petrass. Allocated one classroom, and one survey motorboat, berthed at *Penguin* for instructional purposes, CPOSR Petrass was supported by the personnel from the AHS supplementing the School during course times.

Today, in a vastly extended facility, the School continues to train both RAN and international students, under co-operation programmes from many countries. Graduates of the School are valued in the commercial world of hydrographic surveying. The courses cater for various levels of hydrographic surveying and are certified under the National Accreditation via ACT Registration and Accreditation Council and the International Board for Standards of Competence for Hydrographic Surveyors.

#### Hydrographic surveying in Antarctica

Collection of hydrographic and oceanographic data in Australia's Antarctic territories has been conducted by the RAN and the AHS from its early days. Captain MH Moyes RAN was appointed survey officer, at the request of Douglas Mawson, on his Antarctic expedition in RRS *Discovery* in 1929-30. In recognition of his work operating an echosounder, taking sights and drawing charts, Moyes' was awarded Polar medals and a Bronze Clasp.

This type of collaboration between RAN personnel and Antarctic expeditions collecting hydrographic data to enable compilation of nautical charts and sailing direction by the AHS continued for around 60 years.

Discussions began in 1983 to develop a cooperative approach between the AHS and the Australian Antarctic Division in order to improve charting in the vicinity of the Australian Antarctic Territory and Australian Sub-Antarctic bases.

In 1989, the Hydrographic Office

Detached Survey Unit (HODSU) first deployed to Mawson Station aboard a resupply vessel of the Australian Antarctic Division. HODSU consisted of a survey motorboat and two half shipping containers of surveying, charting equipment and spares. The unit had previously been deployed to foreign countries on contract to conduct surveys.

This cooperation has continued and Australia's new Antarctic support vessel *Nuyina*, due to arrive in Australia this year, was designed with a full hydrographic survey capability.

#### Airborne laser hydrography

In 1972, under instruction from the then Hydrographer RAN, Captain JHS Osborn, the Weapons Research Establishment (now Defence Science and Technology Organisation), based in Adelaide, was tasked to investigate the development of laser technology for the acquisition of hydrographic data.

On 8 October 1993, the Laser Airborne Depth Sounder (LADS) Flight was commissioned into the RAN by Lieutenant Commander Rod Nairn. Leading the world in this technology, from October 1993 to October 2019, LADS conducted national charting surveys in shallow and hazardous areas where ships could not initially enter.

LADS was able to collect enormous amounts of data compared to conventional plotting from a survey ship, achieving over 3500 square nautical miles in a single year. Following an upgrade of the system in 2008, increased density of soundings and depths down to 70 metres could be collected. Further upgrades of the aircraft and the survey system in 2009 and 2016 allowed improved efficiency with higher sounding density with faster transit times, as well as faster turn times.

After 18 years of continuous service, LADS was decommissioned on 6 November 2019, having flown more than 3000 sorties in 186 surveys and collected



HMAS Leeuwin

Image: Department of Defence

more than 50,000 square nautical miles of data. A sad day for many.

### Hydrographer's Passage

There have been many shorter and safer shipping routes discovered, surveyed and charted by the Australian Hydrographic Service over the last 100 years. It is fitting that one very significant new passage through the Great Barrier Reef off the coast of Mackay was given the name Hydrographer's Passage. The survey and delineation of Hydrographer's Passage by the Australian hydrographic ship HMAS *Flinders* in 1981, under the command of hydrographer, Commander James Bond, won the recognition of the Royal Geographical Society and highlighted the valuable work of our modern-day explorers in the AHS. This 60-mile-long passage shortens the round-trip shipping route for vessels carrying Australian coal from the ports of Hay Point and Abbot Point through the Great Barrier Reef bound for Asia, by 500 miles. A valuable and permanent benefit to Australia's coal export trade.

### New ships and multi-crewing

In 2000, the AHS commissioned two new Leeuwin Class survey ships, HMAS *Melville* and HMAS *Leeuwin*. Each ship carries a complement of 56 crew, ten officers and 46 sailors, with the added space for up to five trainees. At the time, economic pressure coupled with personnel satisfaction led the AHS to introduce a new regime of crewing. Navy had limited the days that crew members could spend at sea each year, but the ships were designed for high utilisation and maximising economic efficiency meant keeping them at sea for the longest possible time each year.

During the final stages of the ship build, Commander Nairn, refined a crewing system where three crews would share operational duties rotating through the two new ships. The proposal was

approved by Navy, and Nairn set about the more difficult task of changing a long-held paradigm of crew loyalty to a ship, into one of rallying behind the banner of a squadron.

In a unique event, three Commanding Officers, Commander's Kafer, Nairn and Lieutenant Commander Hardy, leading three Hydrographic Ship Crews (HS) Red, White and Blue, jointly commissioned HMA Ships *Leeuwin* and *Melville* on 27 May 2000. The crews rotated through the ships to provide both maximum operational efficiency and improved crew respite. The Australian Hydrographic Service became the first branch of the RAN to adopt and successfully implement multi-crewing on its ships. What became known as 'The Nairn Plan' was later adapted to the patrol boat fleet.

### Computer navigation systems – ECDIS and ENC

Among the most recent and most significant achievements of the modern AHS was the development of a full suite of Electronic Navigational Charts to support the IMO's move to compulsory carriage of Electronic Chart Display and Information System (ECDIS) in all commercial vessels.

The AHS pioneered computer chart production technologies from the 1970's, and was influential in the development of international ECDIS and ENC standards through the 1990's. By the early 2000's, the AHS had produced a raster chart series under the Seafarer brand. But the chart portfolio hadn't been modernised. Since 1972, a metric conversion programme had been ticking along but in the early 2000's our chart coverage was still entirely paper-based, much of it still contained data from old lead-line surveys and many charts were still in feet and fathoms.

This all changed within a period of seven years. The AHS underwent its greatest

transition, changing the production paradigm from paper product based to a digital database of information. An ISO 9001 QMS was introduced, aggressive targets were set, key cartographic experts were focussed on assurance and in-house production capability was augmented by outsourced contractors. This was a massive effort to metricate, recompile and produce ENC. The result was to achieve complete Australian Electronic Navigational Chart coverage by June 2012, ten years ahead of original schedule and in time to meet IMO's mandatory carriage of ECDIS.

### Women at Sea

The Australian Hydrographic Service had chalked up many notable achievements over the past 100 years but one that should not be overlooked is their leadership in equalising the employment opportunities for women.

In 1989, the AHS became the first branch of the RAN to post women to sea. Initially in the senior survey ship HMAS *Moresby*. There followed, further postings of female officers and sailors to the entire fleet of survey ships and survey motor launches.

In 1997, Commander Jenny Daetz became the first female commanding officer of an RAN ship when she was posted as CO HMAS *Shepparton*. Later in her career, Captain Daetz was also the first female to command a major navy ship, when posted as commanding officer of HS Red Crew in HMA Ships *Leeuwin* and *Melville*. Women serving in all positions at sea is now standard practice throughout the RAN.

### Bravo Zulu

The face of today's Australian Hydrographic Service has changed many times over the first one hundred years. But the list of achievements is long. Certainly, the opening of new commercial ports, the discovery and charting of new passages and the high standard of coastal charting have been major contributors to Australia's economic prosperity, marine environment protection and effective border protection. These are the legacies of the Australian Hydrographic Service. BRAVO ZULU. ▲

### Acknowledgement

Source Information: *Leadline to Laser*, RJ Hardstaff; *Through the Barrier Reef - The Hydrographers Passage Story*, John CH Foley, and various articles written for the history of the AHS by Ian Halls, Michael DeRuyter and Kevin Slade.

\*Sue McDonogh worked at the Hydrographic Chart Depot, Observatory Hill, and the Australian Hydrographic Office at Kent and William Street, Walker Street North Sydney and Burrelli Street Wollongong.



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## Burns Philp: 'bloody pirates' of the Pacific

By STEPHEN WESTFIELD\*

June 2020 marks the 50th anniversary of the sale by Burns, Philp & Co Limited (BP) of the last of its Australian crewed ships following the vessel's final port call at Sydney. The 3,175 deadweight tonnes MV *Moresby*, was built in the State Dockyard in Newcastle, only five years earlier. Its sale in June 1970, marked the end of an era for Australian shipping. BP's transformative decision to sell the *Moresby* was indicative of the commercial pressures at the time on the shipping business and the negative impact of the Federal Government decision to end vital subsidies.

For 75 years from 1885, the company's ships provided a lifeline for the South Pacific's island nations. BP also became a de facto arm of Australian influence and diplomacy in the regional struggle between the imperial powers of Britain, the

US, Germany, France, The Netherlands and Japan. In a time before air travel and instant mobile communications, this golden age of sea transport was inhabited by tough, but colourful characters who crewed and loaded BP's ships around the South Pacific's ports, while their colleagues back in Sydney were more often than not to be found negotiating the price of cargoes in the public houses around Sydney's Circular Quay.

From its modest beginnings in a general store in Townsville, the company's history is a fascinating journey of expansion into shipping, plantation ownership and large-scale trading across Australia, Asia and throughout the South Pacific. The company's impressive sandstone headquarters at 5-11 Bridge Street, Sydney, built-in 1899, is a testament to the remarkable history of BP as a household company name in Australia. BP's decision to diversify in the 1970s and 1980s was greeted initially by share market investors, but the company struggled through the protracted recession of the 1990s, and suffered a fateful delisting from the Australian Stock Exchange in December

2006. For shipping readers, this article will concentrate on BP's shipping activities.

### Humble beginnings

The great Australian enterprise began in 1872, when young Scotsman, James Burns, established a general store in Townsville to supply the north Queensland gold mining boom, in fields stretching from the frontier coastal town inland to Charters Towers and the Gulf of Carpentaria to the west and Cooktown to the north. Frustrated by poor shipping services to supply the sales of his increasing trade, Burns elected to charter a small steamer named *Isabelle*, to ship goods from Sydney, a move that drove home to Burns the dependence of isolated communities like Townsville at the time, on supply by sea. The following year, Burns offered fellow Scot, Robert Philp (later to become Premier of Queensland), a job in Townsville for a salary of £250 a year. This was the start of a remarkable gentleman's agreement between Burns and Philp, unmarred by serious dispute throughout their partnership.

Shortly after forming the partnership,



Burns Philp ship MV *Moresby* inbound in Sydney Harbour 1965

Image: Sydney Heritage Fleet

Burns was obliged to move to Sydney after suffering repeated bouts of malaria. Philp remained in Townsville to manage the general store and the continuing expansion of the business in Queensland, while Burns grew cargo volumes from Sydney, and shipped supplies up the east coast to Townsville, and other Queensland ports. This marked the beginnings of the partnership's regular coastal shipping services. Burns became an expert in assessing ships and revelling in the business of chartering, buying and selling small vessels, while Philp presided over the expansion of stores in the rapidly growing North Queensland economy, buoyed by the development of its mining, cattle and sugar industries. The period was not without incident. In 1887, on the maiden voyage of one of the earliest ships owned by Burns, the wooden steamer *Banshee*, shipping goods between Townsville and Cooktown, ran aground and was wrecked with the loss of 20 lives. The disaster was a harsh introduction to the hazards of shipping.

With the stores continuing to prosper through the late 1800s, Burns and Philp also had grown their coastal shipping services across New South Wales, Queensland, Victoria and Western Australia. This expansion continued to Thursday Island, with BP's acquisition of a pearl shelling business. This led to supplying the industry, and then the next step of international shipping into New Guinea. The partners' first overseas store had been



James Burnes *Image: Sydney Heritage Fleet*

established by 1884 in Port Moresby, then part of British New Guinea. During this time, BP ships began passenger services and started to market holiday voyages on their ships to the Pacific Islands.

#### The South Pacific theatre and WWII

Throughout the early to mid-1900s, rival imperial powers tussled for control and influence in the Pacific region, and the shipping lines of these countries supported the national imperial ambitions. Whilst

decisive battles were fought in Europe, the outcomes would have drastic impacts on colonies in the Pacific Islands. Germany controlled substantial lands in the South Pacific and was supported in the early 1900s by Norddeutscher Lloyd. It lost ground immediately after the start of World War 1, however, when Australian troops occupied German New Guinea and the nearby Bismarck Archipelago. BP quickly established a service to Rabaul on the island of New Britain, and was supported in its expansionary moves by winning Australian Government subsidies to help it compete with the flags of other nations.

French territories included New Caledonia, Tahiti, plus half share with Britain of the New Hebrides (later Vanuatu) condominium. The Dutch, remaining neutral, had control of the East Indies (modern Indonesia) and western New Guinea. British interests were mainly Fiji, the Solomon Islands and protectorate roles over the Gilbert and Ellice Islands (now Kiribati and Tuvalu) and Tonga, and its half share (with France) of the New Hebrides. The United States and Japan had keen interest too in the region. There was further complexity in the region with then British colonies Australia and New Zealand, also vying for regional influence.

Japan's NYK line ran services from North Asia, KPM was the leading Dutch shipping line in the region, and Messageries Maritimes serviced the French colonies. Britain's Bank Line was an active shipowner in the South Pacific on behalf of traders

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Burns Philp ship MV Bululo docked at Sydney 1965

Image: Sydney Heritage Fleet

Lever Brothers, buying copra and coconut oil for Lever's European, US and Australian factories. Amongst these foreign carriers, Burns Philp was both competitor and Australian operator, leveraging its regional businesses under the guise of also protecting and strengthening Australia's interests.

James Burns and influential Sydney-based BP island manager, Walter Lucas, felt that Australia should control the South Pacific, and were particularly suspicious about German intentions.

Throughout both major wars, BP vessels were called on in the Pacific conflict to carry supplies, personnel and ammunition. In World War II, eight company ships were requisitioned and six were lost in enemy action. One notable incident involving a BP vessel occurred when the MV *Malaïta*, shipped troops and supplies into New Guinea, and helped evacuate women and children following the outbreak of war with the Japanese. *Malaïta* survived a torpedo fired by the Japanese submarine near the Port Moresby Harbour entrance on 23 August 1942.

Throughout WWII, BP mariners assisted allied forces in the Pacific with their vast, detailed knowledge of the channels, reefs and shoals. This knowledge, together with their pilotage and guidance skills, proved invaluable (several BP captains being decorated) as the "island-hopping" campaigns of the Allies pushed back the Japanese incursions.

### Shipping trades

Burns Philp was a mercantile trading business but was driven into shipping to support its business. Ironically, shipping became its main business. In the age before containerisation, the cargo was shipped on pallets or loose. The Australia to New Guinea service, with two ships providing two sailings every three months was the central trade for BP up to 1970. Export cargo loaded in the Pacific included agricultural commodities, largely copra, and

these were often transhipped to Europe. Early BP ships had their own "trading rooms" where merchandise was traded for island products, with the transaction taking place on the ship. From 1920 onwards, a subsidiary Burns Philp (South Seas), operated all shipping trades east of Australia and New Guinea into the Pacific, and inter-island cargoes to avoid Australia's trade union demands and the Navigation Act.

Shipping in the Pacific was frequently unprofitable unless it included copra trading. The control of plantations and supply was vital to BP's services. Important trading partners of BP throughout the Pacific were the numerous religious missions, which required large quantities of cargo shipped for mission use, as well as various revenue-earning business interests. From the mid-1900s, BP grew rapidly in terms of its vessels and expanding trading opportunities between Australia and South East Asia. One of the later trade routes of BP was Sydney to the Pacific Islands and on to the West Coast of North America using prominent service vessel MV *Tulagi* registered by Burns Philp (South Seas) Ltd Suva.

A substantial share of Burns Philp's revenue and history was generated through passengers travelling on their ships in an era where people weren't as rushed, and a voyage to the South Pacific was an adventure. A testament to the familiarity of BP ships in the islands was the departure on its final voyage of SS *Bulolo* (which had accommodation capacity for 239 passengers) from Port Moresby for Australia, in January 1968. More than 1,000 people gathered at the wharf to farewell her on her last voyage.

### Burns Philp legacy

For more than 75 years, the vessels of Burns Philp provided a lifeline for Australian communities and the South Pacific's island nations. Over that time, BP owned more than 150 vessels, and at the peak of its shipping business in the 1950s during the

period of rapid growth in trade across the Pacific, and 60 vessels at the peak. BP controlled a network of company stores and agencies across Australia, Papua New Guinea, Vanuatu, the Solomon Islands, Norfolk and Lord Howe Islands, Kiribati and Tuvalu, Fiji and Samoa. The key Australia to New Guinea trade was eventually taken over by The China Navigation Company in 1952, with the beginning of New Guinea Line with services carrying the same cargoes. Burns Philp's numerous stores scattered throughout PNG were eventually sold to long-standing shipping competitor Steamships.

What remains today of the company are the numerous buildings in Australia and throughout the Pacific, some of which are heritage-listed, including its former grand headquarters on Bridge Street in Sydney's CBD, and buildings in Townsville. The large-scale trading and retail companies that were started by Burns Philp will ensure the company is firmly ingrained into the history of Australian business, providing livelihoods for thousands of employees and a lifeline for dozens of Pacific communities. Although it was exposed to taunts, albeit friendly ones, about being "pirates", BP played a key role in the growth in trade, communications and development of Australia and South Pacific nations. Its legacy is a tribute to the vision of its founders, James Burns and Robert Philp, and an industrial example of the success that can be achieved in a free enterprise society with vision, courage and resolve. ▲

*\*Stephen Westfield is trade manager at Swire Shipping, chairman of Young Shipping Australia, New South Wales, and a director of the Australian Merchant Navy War Memorial Fund.*

*This article was first published in Daily Cargo News June 2020 edition.*

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## After IMO 2020: consequences of using low sulphur fuel

By JOHN PAGNI\*

When the International Maritime Organization voted to make a new global limit on sulphur in fuel, it was no surprise that those most affected complained the most. Ship operators were facing fuel bunker costs that made up to 50-60 per cent of operating expenditure. The need for fuels other than high sulphur fuel oil (HSFO) that would have a sulphur content of 0.5 per cent (or less) was forecast to raise bunker prices. But what actually happened?

In Emission Control Areas such as the Baltic Sea and the North Sea, a 0.1 per cent limit has applied since 2015. Cargo carriers basically had a choice between compliant fuel (aka very low sulphur fuel oil or 'VLSFO') or installing scrubbers, or other exhaust gas cleaning systems in order to burn HSFO. These are neither cheap to install nor mature in their development and reliability. Apart from those who are deploying currently exotic fuels such as liquefied natural gas, or carrying out trials into fuels such as ammonia, many of the world's commercial ship operators, such as Royal Wagenborg, opted for very low sulphur fuel.

"It does not require making technical changes to existing vessels," explained Sebastiaan Verstappen, Senior Chartering Operator at Royal Wagenborg.

"Also, the price differential between VLSFO and marine gasoil (MGO) will encourage the use of blended fuel and its availability will not be a problem. A scrubber installation, on the other hand, costs up to several million (euros) per ship, which explains the

low number of vessels taking this route. The future availability of (the main 3.5 per cent sulphur HFO) IFO380 is uncertain, as new types of fuel will become the standard then. Many carriers have decided to scrap older ships rather than retrofit them."

### Case study illustrates price volatility and unpredictability

Let's take a look at a cautionary tale from Belgian shipowner Euronav about doing the right thing to reduce risk, in the face of predicted turmoil. The large tanker owner-operator has a fleet of 69 vessels: two ultra large crude carriers, 39 very large crude carriers (VLCCs) and 26 Suezmaxes, with another four very large crude carriers due for delivery late 2020 and 2021. The company is involved in ocean transport and crude oil storage. It's no fringe player.

It was reported on 1 April (2020) that Euronav would write down the value of the IMO-compliant 0.5 per cent sulphur fuel oil it bought last year after the price collapsed. Euronav, seeking to hedge against the forecast price rise in compliant fuels,

bought 420,000 tonnes of 0.5 per cent sulphur fuel oil. This was loaded onto its 441,562dwt 380 metre long ULCC *Oceania* in the Mediterranean in March 2019. *Oceania* arrived in Singapore in September, and then acted as a floating storage and offshore unit.

This cargo was entered into Euronav's full-year 2019 report with a \$305 million valuation, which compares badly with the \$370 million book valuation on 30 September 2019. The real cost was \$317 million which Euronav part-financed by a secured bank loan of \$167 million

The idea of course was to protect Euronav from price turbulence and premiums expected when the new sulphur fuel limit came into force. It has been revealed Euronav paid an average of \$703/tonne for its 420,000 tonne purchase, when the price of delivered 0.5 per cent sulphur fuel oil in Singapore averaged \$898.22 /tonne in October. That later rose to \$910.30/tonne by November. The price climbed again up to \$1,042.86/tonne during December. Singapore's monthly average price for 0.5

per cent sulphur fuel oil hit \$1,090.36/tonne in January. Euronav's actions looked a masterpiece of prescience.

High demand was driven by the new low-sulphur regulation and also by reflected industry angst about supply availability in the region.

Unfortunately fate intervened: the price collapsed in the following months. There was a drop to \$824.44/tonne in February as demand slowed and supply improved. By March 2020, the price was \$527.68/tonne because of falls in the crude price and dropping demand.

The supply/price war between Russia and Saudi Arabia, and economic seriousness of the ongoing coronavirus pandemic were both factors in the fall.

Euronav has not said how much its 0.5 per cent sulphur fuel oil stocks would be written down, but that it would be "significantly below the acquisition cost." The shipowner is now buying 0.5 per cent sulphur for its fleet on the open market. More information on the final write-down is to be shown in its Q1 when results are published in May. Furthermore, Euronav's current bunker inventory reporting reveals it has not used most of the fuel since its purchase.

#### **Accessing fuel – how available is low sulphur fuel?**

According to maritime fuel specialist Argus Media, there are signs that IMO-compliant marine fuel is becoming more widely available in ports around the world. Shipowners are filing fewer fuel oil non-availability reports (known as FONARs) which help prevent possible prosecution and fines for using non-compliant fuel.

FONARs are a reporting mechanism for shipowners that are unable to source 0.5 per cent sulphur fuel in ports from 1 January. Thus, if a vessel calls into port to bunker, but finds no 0.5 per cent sulphur fuel oil then, in theory, the owner can send a FONAR to the IMO. However, it is neither easy nor cheap, as the ship's operator must check if any 0.1 per cent sulphur fuel or 0.5 per cent sulphur marine gasoil is for sale before a FONAR can be filed.

"FONARs remain a tool of last resort and are not something that a ship will be able to use routinely," said Simon Bennett, International Chamber of Shipping deputy secretary general.

"The circumstances in which a FONAR can be used are very limited, and conditions attached to their use will be strict. Shipowners still need to remain focused on doing everything possible to ensure full compliance in 2020." Meaning the absolute minimum of non-compliant fuel may be loaded and the residue offloaded at the next port state control (PCS) inspection when compliant fuel is taken – as in Singapore, the world's largest bunkering port.

Shipowners filed 41 compliant FONARs in January. This total plunged to just six in February, and only a single FONAR in March, signalling improving supply availability in meeting current demand conditions.

According to media sources, of this year's FONARs, 34 concerned a lack of 0.5 per cent sulphur fuel oil in a port, two were due to no 0.1 per cent sulphur marine gasoil and three stated neither type of fuel was available.

The remaining nine said that the available complying fuel was tested and was found to be out-specification because of high sulphur content.

New 0.5 per cent sulphur fuel oil blends were on offer in 2019 in some of the main global bunkering hubs for testing, and in commercial volumes in November. But supply of 0.5 per cent sulphur fuel oil remained patchy in some smaller bunkering locations in the lead-up to 1 January and thereafter.

So, unfortunately for shipowners that were recalibrating their bunker procurement networks, they occasionally discovered ports where fuel with less than 0.5 per cent sulphur content was unavailable.

Industry feedback indicates that Saudi Arabian ports had the least availability, with two FONARs each for Yanbu and Jeddah, and one for Dhuba. Brazil, Egypt and India had four FONARs each, and they were followed by South Africa and Sri Lanka on three.

The largest international shipping association BIMCO (the Baltic and International Marine Council) stated the low number of FONARs filed "may not be reflective of non-availability because it does not count shipowners that wait for fuel to become available in a port or travel to a different port to source IMO-compliant fuel there instead".

It was reported that there was limited availability of compliant fuels in Singapore and Port Klang (Malaysia) at the start of 2020, which caused queues of up to nine days. But note: there have not been any FONARs for either of those ports.

Of the nine FONARs for bunker fuel that tested off-specification, two documented places were Malta and Cristobal (Panama). All examples of fuel with non-compliant sulphur content above the limit were recorded in January, when the bunker industry had quality wrinkles.

#### **Quality issues**

Testing fuel quality is important. Even reliable sources of 0.5 per cent sulphur fuel must be checked. As noted above, there have been examples of low sulphur fuel being off specification. A possible reason why is blending of different fuels – producers may have accidentally gone above the low sulphur limit during blending.

The International Maritime Organization takes this issue seriously. It stated that compliance means the sample taken at delivery should not exceed 0.5 per cent sulphur. But the limit is 0.53 per cent sulphur for a sample, from the ship's fuel tank. The case for this small relaxation is that the IMO wants to instil a 95 per cent quality confidence bar by allowing for different testing methods and it wants to ensure operators are not penalised for small transgressions.

Another forecast quality-related side-effect is that low sulphur fuel may gum up a ship's engines. This may be caused by cat fines left over from refinery cracking, or above-normal wax contents, or cold flow and flash point levels. "Cat fines" are usually tiny bits of silicon compounds and/or aluminium in fuel that are left-over from the catalytic-cracking of crude oil during the refining process.

#### **The situation as of April and the 2020 vision**

Shipping companies have revealed that despite dire warnings, the change of 0.5 per cent sulphur LSFOS from 3.5 per cent sulphur HFOs has gone surprisingly well. Hong Kong's OOCL, one of the world's largest container ship operators, and provider of regular liner service to Australia, takes a positive view. OOCL's spokesman, Michael Fitzgerald, made the following statement to Shipping Australia when asked about OOCL's experience:

"OOCL's transition into the use of low sulphur fuel for our ships has been smooth, and we have not seen any major issues in our compliance to the new requirements. Many major bunkering ports, such as those in Singapore, Rotterdam, Los Angeles and New York, are still supplying us with the bunker we need and to date, we have not observed any significant difference in terms of bunker availability or choice between these locations."

Those comments are supported by Daisuke Fujihashi, speaking for Mitsui OSK Lines' Bunker Business Team. It also noted a smooth transition.

"Obviously there were some hiccups here and there, but all-in-all the transition this year has been smoother than expected. The tightness of compliant fuel was seen around the world, but especially in the Far East and US, where it was more difficult to secure stems. We have managed to conclude term contracts before the difficulty started, thus we were able to secure stems as planned and did not have much problem," Mr Fujihashi said. ▲

*\*JOHN PAGNI is a freelance photographer, journalist and correspondent based in the Helsinki area, Finland*

## Consequences for cargo shipping and seafarers

By JIM WILSON

COVID-19 has imposed a series of adverse impacts on shipping and world trade, ranging from the relatively minor to the extraordinarily serious. Sadly, some Australian States and ports have played their part in making things more difficult than they need to be.

There has been an increase in bureaucracy. Ships' masters and agents have been required to report the status of crew health to various actors, including the Australian Border Force, the Department of Agriculture, port authorities, and pilotage companies. That carries a price of time, cost and work effort. The more serious consequences of COVID-19 are that safety has potentially been compromised, freight has been delayed and crew changes made virtually impossible because of restrictions.

### COVID-19 and the early regulatory actions

COVID-19 was first reported to the World Health Organization (WHO) on 31 December 2019. The first Australian case was thought to have occurred in Victoria in late January. By 30 January, the disease was declared by the WHO as a Public Health Emergency of International Concern.

On Saturday 1 February, Australia's Federal Government announced that foreign nationals would not be allowed to enter Australia for up to 14 days after they left or transited through mainland China.

The rationale behind the "14 day rule" is that the median incubation period for SARS-CoV-2 (the virus that causes the COVID-19 illness) is about five days. However, a substantial number of people will develop the illness later than that median point. A tiny minority of people (about one per cent) even develop the illness after 14 days.

Meanwhile, by 6 February, Maritime Safety Queensland had issued a directive (with effect 1 February) instructing ships to not enter Queensland pilotage waters until 14 days had elapsed since the ship's last departure from a Chinese port. That was followed over the weeks, by a series of rule amendments and alterations. On 2 February, the Port Authority of New South Wales issued a prohibition on its maritime pilots from providing services to commercial cargo vessels that had left a

Chinese port within the previous 14 days.

There were an immediate number of effects of the 14 day stay-away rules on the eastern coast. Shipping companies were forced to change port rotations and schedules so that their ports of call in Australia would fall outside the 14 day window. Shipping companies were also concerned about incurring days of delay. Shipping companies have considerable bills to pay in terms of wages, stores, supplies and fuel, all of which can come to a cost of about \$25,000 per day of delay.

Maritime Safety Queensland quickly amended its policies in response to industry feedback and to evidence about the evolving situation. It progressively eased restrictions on shipping. But that easing was not followed by all port authorities around the country.

### Act quickly... amend repeatedly

Governments around the world responded to the escalating threat of COVID-19 by slamming doors shut. Australia's national border was shut on 20 March. Western Australia, the Northern Territory, Queensland, Tasmania and South Australia also closed their borders.

While governments were quick to introduce border restrictions they didn't always allow, or adequately allow, for the essential movement of freight-related workers, especially maritime crew.

Western Australia created a succession of legally complex border-crossing rules. Firstly, the rules were not easy to understand on a simple reading, secondly, they often restricted the vital ability of shipping crew changeovers, and thirdly, they were open to radically different interpretations. Shipping Australia even heard from members that local police forces in remote locations had adopted their own interpretations of rules, which led to increased bureaucracy, complications, costs and delay.

Meanwhile, early one Saturday morning in late March, the New South Wales Health Minister, Brad Hazzard, issued a maritime quarantine order to prevent crew or shore-side personnel from unnecessarily getting on or off ships. Although the order had a broad exemption for anyone carrying out necessary business, local on-the-ground

personnel interpreted the order so as to prevent ship agents from going aboard. It took a further maritime order, issued a few days later, to solve that problem. Getting approval for a crew member to visit a doctor became almost impossible.

### Quarantines and crew changes

When Federal and State/Territory authorities instituted mandatory 14 day quarantine periods for travellers, domestic and international mariners began to be thrown into quarantine. Crew-changes became difficult, if not impossible.

In a New South Wales incident, a tug crew that delivered a boat from Queensland was put into quarantine, though on appeal they were allowed to travel home. Marine pilots from Tasmania who worked in other States were unable to go home. In New South Wales, an on-signing seafarer was forced into quarantine for 14 days upon arrival at Sydney Airport. By the time the seafarer was let out of quarantine, his ship had already sailed from Australia.

Western Australia produced a lengthy (and complex) seafarer's class exemption to its border closures in early April. However, it had a nasty barb – seafarers have to undergo a 14 day quarantine even when they were merely transiting Western Australia to get to/from their ship or airport. In one case, a full 20-person off-signing crew was forced into 13 days of isolation in a hotel at a near \$85,000 cost, even though they had already done 13 days of isolation on their ship. They were intending to leave their ship and near-immediately depart Australia by air.

At the time of writing, it seems that these concerns are beginning to ease, with most jurisdictions in Australia now providing extensive rules allowing for crews to cross their borders without a 14 day quarantine. But it is not a uniform set of rules across the country.

Western Australia still mandates a 14 day quarantine in all circumstances. The Northern Territory has a mandatory 14-day quarantine for seafarers who get off a ship outside of the Territory, and who then travel to the Territory to join a ship.

New South Wales and Victoria have not yet issued any exemptions at all, which is a problem, as most international flights

terminate in Sydney or Melbourne. Shipping Australia has heard of at least one on-signing seafarer who, upon hearing that restrictions were being eased, rushed to book a flight to join a ship in Queensland. He had to be dissuaded – with some urgency – as his only Australian arrival option was Sydney Airport.

It didn't have to be this way. South Australia is both notable and commendable because it introduced a simple broad-brush exemption for freight workers, and it aligned its rules with the Australian Border Force rules on crew changes.

#### A global problem

At the time of writing this article, an inability to change crews has become a global problem, with about 150,000 seafarers trapped at sea.

As Shipping Australia has pointed out in letters to State and Territory Premiers, seafarers who are forced to stay for over-long periods at sea may begin to experience family distress, emotional disturbance, mental illness, and personal injury. They are likely to become fatigued, which is concerning because seafarer fatigue is widely recognised as a contributing factor in marine casualties of all kinds.

The legitimate needs of health protection can be provided through sensible control measures such as medical testing prior to getting on a flight to Australia, providing transiting personnel with protective equipment such as facemasks, and

physically isolating them from the general public (by, for instance, hiring coaches). In early May, the International Maritime Organization issued an extensive set of framework protocols to governments to cover this exact situation.

#### Commercial consequences

Although the health crisis has been running for just under six months, we are still in the early days of the economic crisis. Early indications are that global shipping lines are being challenged.

Back in late January and early February, there was a downturn in cargo volumes from China. Production volumes had fallen because COVID-19 had made large numbers of people sick and the Chinese government had locked down large parts of the country. The Chinese New Year holidays reduced volumes too. Blank sailings followed the decline in cargo volumes.

Now liner shipping demand has reduced around the world as economies go into lockdown. Falling volumes of cargo have caused the amount of inactive containership capacity to increase to levels never previously seen. International container shipping analyst Alphaliner, has forecast that the inactive container levels will breach the three million TEU mark.

There are fears that global liner shipping companies are carrying an increased insolvency risk. One predictor of corporate insolvency is the Altman Z-Score, which is said to be highly accurate up to a

year in advance. Alphaliner notes that several large carriers now have Z-Scores indicative of a high risk of insolvency, while others could come under pressure if cargo demand is reduced for a long time. Carriers with high debt leverage ratios and high levels of short-term debt, or with track records of negative earnings, are said by Alphaliner to be "especially vulnerable".

Around the world, global carriers have been responding by either suspending services, blanking sailings, or combining loops. Operators have also reduced capacity by returning chartered ships. Some liner companies have begun opting for Asia-Europe route via the Cape of Good Hope, rather than Suez, owing to excess capacity, a lack of demand, cheaper bunker fuel and, of course, no Canal fees.

Looking forward, renowned maritime economics guru Dr Martin Stopford, concluded in a late April white paper that the "pandemic will lead to some sort of recession". In the best case scenario, he predicted a couple of difficult years ahead followed by a return to normal of about 3.2 per cent a year. But don't breathe a sigh of relief. His worst case scenario envisages a deep economic downturn and persistent problems. That would see a 15 per cent fall in seaborne economic trade by 2024, followed by miserly growth for years afterward. ▲

Only time will truly tell how global shipping industry will be affected.



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# THE SCENE



*Ken Fitzpatrick, Asiaworld*

## **Qube Logistics wins SAL NSW Golf Day 2020**

Shipping Australia members from across New South Wales braved the weather to meet on Wednesday, 4 March at the scenic Coast Golf Course at Little Bay for the 2020 Industry Golf Day.

Heavy rain in the morning cleared by midday to give perfect mild golfing weather. It was lightly overcast, and at times sunny throughout the afternoon.

Eleven teams took part, enjoying a light lunch on arrival, followed by an exceptional afternoon's golf and on-course beverages. All teams were back in the Club House in four and a half hours, to finish off the day with a few drinks and an excellent meal.

In a tightly contested event, the team from Qube Logistics won the day and took out the coveted Shipping Australia NSW Golf Trophy. Qube Logistics' four-man team included Newton Te Wao, Nathan Mills, Damian Wilson and Russell Webb. Second place was taken by the Antares Marine team and third place went to the SAL mixed team.

Shipping Australia would like to thank our fabulous sponsors, whose generous support made a great day possible. Sponsors included: Hutchison Ports Australia, AsiaWorld Shipping Services, Qube Logistics and Smit Lamnalco.



*Allan Ball, Anurag Aggarwal, Clinton Evans and Leo James, Hapag Lloyd*



*Matt Stapleton, Sydney Rail Services; Jarrod Graham, Hutchison Ports; Scott Lovatt, Scott Lovatt Container Cartage; John Vlahadamis, Hutchinson Ports*



*Jake Jakobsson, Glenn Patterson, Phillip Baillie and John Buckingham, Collinson Forex*



*Kris Kennedy, Tony Cousins and David Feathers, Smit Lamnalco*



*A view of the course and clubhouse at the Coast Golf Club, Little Bay*



*Joe Attanasio and Joe Falco, Nordiko; Rene Stuckert and John Bonsor, AIS Brokers*



*Mark Todd, Asiaworld Shipping Services*



*John van Pelt, Inchcape Shipping Services; Rod Nairn, Shipping Australia and Ashley Street, Inchcape Shipping Services*



*Viktor Timev and Wayne Mondy, Wilhelmsen Ships Service*



*2020 SAL NSW Golf Day winners, Qube Team - Newton Te Wao, Nathan Mills, Damian Wilson and Russell Webb*

## Reform needed to save lives, ships and cargo

### Editor's note:

Stefan Gielen of MSC Belgium, won the 2019 FONASBA Young Ship Agent/Ship Broker of the Year award for his paper entitled "Crusade towards correct Dangerous Goods declarations – a comprehensive overview of the current document flow".

It was described by the Award Review Committee Chairman, FONASBA Past President and Honorary Member, Gunnar J Heinonen, as being "an excellent, intelligent, informative and forward-looking analysis, spotting and analysing the problems of Dangerous Goods declarations. It was well set out, well referenced and provided much food for thought for the challenges of future development".

Shipping Australia is pleased to present the following summary of Stefan's paper which provides a useful insight into how the transport of dangerous goods can be made, well, less dangerous.

As the global transport of goods has increased over the last few decades, so too has the transport of dangerous goods. By 2001 researchers had already found that 50 per cent of all goods shipped could be classified as dangerous. And 10 per cent to 15 per cent of containerised shipments could also be classified as dangerous.

Dangerous goods include such everyday items as deodorants, sparkling water out of a water dispenser and safety-

related devices. Other goods are more obviously potentially dangerous and include such things as swimming pool chemicals, fireworks or fuel.

Stefan takes a broad approach and considers goods as "dangerous" if they are listed in the IMDG Code.

The transport of dangerous goods is a serious business, given the obvious risks. There is a long, and alas, lengthening, list of ships that have been damaged or destroyed because of inaccurate or non-identification of dangerous goods.

Yet this serious business is still subject to an archaic document flow. That is, if they are even reported at all. This paper points out that, to the best of his knowledge as at mid- to late-2019, no study had ever incorporated the document flow of dangerous goods into a single overview and subsequently provided an explanation for undeclared dangerous goods.

### A quick refresher on the legal framework

All seaborne dangerous goods transport is regulated by the IMDG Code, which is subject to amendment every two years. It is an on-going review process, allowing adaptation in response to evolving technological and economic developments in the shipping industry. The code has seven chapters, with detailed procedures for the transport of dangerous goods.

A shipper must choose the correct "UN Number" when shipping dangerous goods, and the appropriate packing must be selected. Packaging should bear correct markings and labels. A handler or observer should always be able to identify the danger inside the package without undertaking the risk of opening the package or the shipping container. Finally, a transport document needs to be completed and it is

commonly referred to as the "Dangerous Goods Declaration," or DGD for short.

The document bears the mandatory dangerous goods details, the shipper's declaration (which affirms that the package is properly packed and labelled for transport) and the container packing certificate.

The DGD should provide the UN Number, the proper shipping name, the primary hazard, the subsidiary hazard, and the packing group in that order. As in, for example, "UN 2761, Organochlorine pesticide, solid, toxic, (Aldrin 19 per cent), class 6.1, PG III, MARINE POLLUTANT".

Stefan notes that "in the field we see that a great deal of the DGDs are not following the mandatory sequence".

### Don't do and re-do data entry

Stefan looked at several different scenarios for the flow of freight, information, and accompanying paper. Each scenario becomes progressively more complex as more and more parties, such as freight forwarders and consolidators, are added to the chain. Details differ between scenarios but there are several common problems, mostly relating to data entry.

There is a really important point to make here. Data entry and proof-reading is a really lousy system for, er, data entry and proofreading.

Stefan quotes Barchard and Pace, researchers who conducted an experiment in 2011 when 195 undergraduates were randomly assigned to three data entry methods: double entry, visual checking, and single entry.

They came to the staggering finding that visual checking resulted in 2958 per cent more errors than double entry. Visual checking was not significantly better than single entry. A later 2013 study by Barchard and Verenikina,



Confusing dangerous goods codes contributed to the fire onboard Maersk Honam

Image: Indian Coast Guard

confirmed the previous findings.

#### Transmitting the data

There are multiple stakeholders who expect to send and receive full and correct declarations of dangerous goods transport. The shipper may have an electronic data interchange system, or it may instead enter the relevant data via a website or some kind of software app. Onward transmission of data to ships, the authorities and terminals all derive from the initial shipper-supplied set of information, which is often manually re-entered.

So, for instance, the data is often not shared, or not shared fully, between government agencies. Shippers end up manually re-entering the same data multiple times for different agencies or departments, which increases the likelihood of mistakes.

Meanwhile, transmission of information from shipper to agent may be insufficient or incompatible with the latter's system. The agent must rely on the DGD to manually add the missing data to the booking, again raising the possibility of manual error. A lack of standard, mandatory form complicates recognisability and readability, thereby increasing the chance of misinterpretation.

The problems increase, or are replicated,

with each extra party in the chain. Smaller freight forwarders, for instance, might not be able or willing to commit hefty amounts of capital setting up comprehensive interfaces between different communications systems. Freight forwarders may well end up manually re-keying information from the shipper, opening the way to more manual errors, and then for onward transmission into the chain.

"EDI shows potential, yet it's not fully integrated in the chain and moreover not between all stakeholders," Stefan points out.

And then there is the possibility of freight consolidation. The shipper will provide documents such as the DGD and the packing list to the freight consolidator, which will gather up as-yet un-containerised cargo in its warehouse. It will stuff the cargo into the container, marking and placarding the container accordingly, and it will sign the container packing certificate. All the DGDs from the various shippers, along with the container packing certificate, are sent to the ship agent... who manually enters all the data and transmits it to other parties in the supply chain.

Sometimes data is missing or illegible, and one party in the chain will phone another and will verbally ask for that data. As anyone who has ever used

a phone will know, there is more than ample scope for error in verbal transmission of data.

And, finally, there is the common in-field practice of provisional and final DGDs. Shippers will often provide a provisional DGD because the container number is not known at the time of booking. Only after the container has been stuffed, will all the data be delivered. But the weight and number of packages, and loaded UN Numbers could differ from the original DGD that was used by the ship agent to make the booking. Stefan points out that discrepancies between the provisional and final DGD are "currently only found by performing a visual inspection".

And we know from the research by Barchard et al how good visual inspections are at picking up errors i.e. not very.

#### Maritime accidents may flow from honest mistakes

Stefan acknowledges that there is the possibility that shippers may deliberately not correctly declare dangerous goods. He notes it is in violation of the law but it is also outside the scope of his paper. Focusing on the 'honest mistake', Stefan notes research from the US Coast Guard Research and Development Center in 2000, which concluded that human error is the cause or major contributor in



Stefan Gieslen

75 per cent to 96 per cent of maritime incidents. More recent research, in 2018, identified human error as a significant factor in the transport of dangerous goods.

Researchers have found numerous reasons why humans make mistakes: poor training, carelessness, indifference, fatigue, inattention, lack of communication, inadequacies in the organisation, inappropriate repair, operator error, non-compliance with work procedures, non-compliance with occupational safety rules and many more, have all been identified.

But there may well be a deeper reason. Stefan quotes research from 2005 which indicates that “while human errors are all too often blamed on ‘inattention’ or ‘mistakes’ on the part of the operator, more often than not they are symptomatic of deeper and more complicated problems in the total maritime system”.

Researchers talk of the overall and complex human-error-overview, which is comprised of interactions between the “environment”, “human characteristics”, and “function”.

Environmental factors include the weather, noises in the office and time constraints, among other things. Human characteristics include such matters as declining concentration through the day, sickness, and fatigue. Then there are well known issues such as high-quality education, training and use of modern equipment. One interesting psychological factor is the “availability heuristic”, which can be thought of, in rough layman’s terms, as unconscious mental shortcuts. So, for instance, a ship agent under time pressure might accidentally re-use a UN Number

provided by a shipper even though it is the wrong number for that particular shipment.

### **Information technology – users, policy, standards**

Manual data entry and visual verification is a tool that produces pretty bad results. Information technology should be an obvious solution, especially as advanced information technology is spreading throughout ocean shipping.

“Yet dangerous cargo documentation remains a blind spot,” Stefan writes, noting that “the majority” of stakeholders in the shipping industry still operate with manual handling and re-entry of paper documents. Further, “many of them” are still working with mainframe systems dating back to the 1960s.

There are several sets of reasons why. The first set is user-related.

One reason simply relates to the fact that getting multiple people to do anything in a uniform and consistent way is difficult. Dangerous goods data needs to pass around each and every participant. Meanwhile, one study noted that there are different levels of information technology penetration. That means every stakeholder has adopted its own information technology systems at a different scale, which leads to low levels of compatibility between different systems. A further user-related reason is that supply chain stakeholders have different sizes and adopting compatible information technology infrastructure is a “big investment”.

Another set of reasons is policy-related.

International ocean shipping is associated with multimodal transportation, “which means local, regional and international regulations need to be followed”. Meanwhile, regulations are subject to the transport-type.

For instance, Stefan points to multimodal dangerous goods transport from somewhere in the European Union to the United States. In the European Union, the transport would be first subject to the national laws of the member state, then they would also be subject to a different set of rules for road, train and inland waterways. Seaborne transport would then see the goods subject to the international maritime dangerous goods code and then, upon arrival in the United States, they would be subject to the Code of Federal Regulation.

A third set of reasons is technology-standards related.

There is a lack of homogenous standards

in multimodal transport, which is an important feature in the electronic data interchange process, along with a lack of system interoperability.

“With every stakeholder adopting his IT applications independently from the others in the chain, they may have different separate ICT applications, provided by various technology service providers thus making communication even more difficult (incompatible),” Stefan writes.

A recent study concluded that close collaboration between stakeholders is required, and there is a clear responsibility for the public sector to create an environment where the private sector engage in collaboration, the paper notes.

### **Recommendations**

Stefan considers that local, national, and unilateral top-down enforcement, either won’t work or would be counter-productive.

Humans are the problem. And the only way to get humans out of the way, Stefan reckons, is through a “very close sustainable co-operation between all private and public stakeholders, on an international level”.

He urges participants in the supply chain to initiate standardisation and harmonisation. Stefan notes initiatives such as the formation of the Digital Container Shipping Association.

“These initiatives should be openly supported and encouraged by public stakeholders,” he urges.

Meanwhile, he makes the bold claim that the training received by shore-side personnel in accordance with part of the International Maritime Dangerous Goods Code is “deficient”. He argues that all stakeholders should appoint a dangerous goods safety advisor. The duties of that advisor would be to facilitate the activities of the appointing stakeholder in accordance with the applicable requirements, and in the safest way possible. The advisor should follow a mandatory course of training and examination every five years to stay up-to-date and to prove their knowledge. ▲

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## Roebuck Bay grounding - findings identify lack of training, and human error

By JIM WILSON

Human interaction with the Electronic Chart Display and Information System (ECDIS) was at the heart of a cutter grounding on a coral reef, the Australian Transport Safety Bureau has found.

It is a finding of international interest, as the global use of the navigation system ECDIS has been mandated by the International Maritime Organization. There have been several other similar groundings around the world, but by merchant ships. These include: *Kea Trader*, *Muros*, *Universal Durban*, *Nova Cura*, *Ovit* and *CFL Performer*.

As the ATSB points out in its investigation report, groundings have had “recurring themes”.

Concerns tend to relate to human-machine interaction. These include training-related issues, lack of knowledge of symbols and the ability to disable alarms.

### Australia's grounding: ABFC *Roebuck Bay*

The Australian cutter was the Australian Border Force vessel, *Roebuck Bay*. Back in September 2017, the cutter was tasked with a patrol out of Cairns, north to the Torres Strait and back again.

On 26 September 2017, near the maritime border with Papua New Guinea, the cutter master reviewed a passage plan back to Cairns that the navigation officer had worked out.



*Cutter Roebuck Bay in the foreground; in the background is the patrol vessel Cape Jervis.*

*Image: Australian Border Force*

The master reviewed and amended the plan and, in so doing, he laid a passage right across Henry Reef. It is a charted reef east of the Cape York peninsula, about 480 kilometres to the south-west of Port Moresby in Papua New Guinea, and about 563 kilometres to the north west of Cairns.

Jump forward in time to about 12:25am on 30 September, when the cutter was travelling at roughly 16 knots.

“The bridge team felt a bump and a shuddering sensation through the cutter’s hull. Almost immediately after, ABFC *Roebuck Bay* abruptly grounded on Henry Reef and came to a complete stop,” the ATSB report says.

Fortunately, no-one was injured. But the cutter was unseaworthy because of the grounding and had to be salvaged.

### Cause of the grounding

The version of ECDIS installed on the *Roebuck Bay* at the time of the grounding simultaneously carried out two checks: one for errors with route planning, and the other for dangers to navigation on the route.

The check of the planned passage for route-validity (such as issues with the turn radius of the vessel) highlighted any errors with a yellow-coloured “errors” tab. A route in error will not be accepted by ECDIS. Dangers are not checked for by the route validation process.

The route-dangers safety check for hazards to navigation posed by the planned passage was highlighted under the separate “dangers” tab. So, the “errors” and the “dangers” did not appear in the same place in the software. ECDIS also allowed the crew to save a route that it had identified as being dangerous.

When the cutter master had earlier checked the passage plan, he corrected a turn-radius error, which was highlighted by the route validation process in yellow on the “errors” tab. The correction caused the “error” message to disappear. But neither the master nor the navigation officer checked the “dangers” tab because they thought the route validation process also checked for dangers, which it did not. The crew also incorrectly thought that ECDIS would not accept a dangerous route.

#### Confusion with symbols

Another problem was the “isolated danger symbol” which is well-known and well-marked on Australian paper charts as a green, five-pointed star. On that version of ECDIS, the symbol is a purple circle with a white cross. Neither the navigator nor the master immediately recognised the purple circle with a white cross, as a symbol for an isolated

danger. They did, however, report, an immediate awareness of the isolated danger when they cross-checked it with the paper chart.

“This symbology and colour was familiar to them (probably due to their considerably longer use of paper charts in their careers)...” the ATSB noted.

#### Forward alerts

ECDIS is normally set to “look-ahead” by 15 minutes on the passage plan, every 30 seconds. The ECDIS was normally set to scan for hazards by a breadth of up to 20 metres. The ABF added another 20 metres as a safety feature.

However, the ABF had reduced the look-ahead time to three minutes. And, the ATSB found, the furthest physical parts of large hazards to navigation, such as Henry Reef, might not coincide with the location of the isolated danger symbol on ECDIS. So, when ECDIS looked ahead in the software, the isolated danger sign might be a considerable distance away, even though the outermost reaches of the physical object were nearby. A considerably larger look-out zone of up to 185 metres would have enabled ECDIS to spot the danger.

It could have then warned the crew that there was a danger to navigation.

But that still would not have saved *Roebuck Bay* because the cutter master had ordered the silencing of audible alarms to prevent alarm fatigue and to prevent officers being distracted during their watch-keeping.

The ATSB also found that the *Roebuck Bay* was not using the most-up-to-date version of the software and that the crew did not have an adequate knowledge of ECDIS, owing to ineffective training by Border Force. ▲



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# Carbon-free ship propulsion by 2050

By CHRISTOPHER SKINNER\*

There is no doubt that maritime shipping will continue to provide cost-effective transportation of bulk and voluminous cargoes for the indefinite future. The ocean and maritime waterways provide an almost maintenance-free transportation surface. But of the ships themselves that ply these global maritime commons, there are changes in train that must be considered well in advance.

Of these changes, that of energy source is a primary factor subject to significant changes in the foreseeable future. Fossil fuels are being phased out over the next thirty years or so, to realise the goal of zero greenhouse gas emissions by 2050, and that thirty-year lead-time will be barely sufficient to convert shipping to acceptable sources of energy. If we set aside wind power for sailing as too slow, and solar power for electric energy as only suited for short-distance operation, such as river ferries, we are left with hydrogen power via fuel cells or in internal combustion engines, and nuclear propulsion. As an interim step from fuel oil, we are seeing adoption of liquefied natural gas (LNG) which has reduced emissions compared with oil and coal, and investigation of synthetic fuels.

This article examines some of the factors affecting the transition from oil fuel and LPG to hydrogen in most cases, and nuclear propulsion for high transit speed ships and vessels with special roles, such as high performance naval and merchant ships, such as cruise liners and perishable or high value cargo ships.

Previous articles in this magazine have covered a number of the aspects of the transition that is the focus of this article. John Pagni discussed his vision of marine fuels after 2020<sup>1</sup> and in the same issue, the more general implications of changes to be expected from global challenges arising from the United Nations' target of cutting greenhouse gas emissions (GHG) in half by 2050<sup>2</sup>.

The following issue of this magazine carried

a special feature on the future of power<sup>3</sup>, covering the more general discussions on community-wide approaches to reduce reliance on coal and gas, both LNG and LPG, and the possible adoption of nuclear power. The range of viewpoints on the economics of investment needed. The post-decommissioning of nuclear reactors versus renewable systems of wind or solar plus energy storage, are prominent in the civil debate.

## Current energy sources for ship propulsion

At present merchant ships mostly run on diesel fuel for high speed diesel propulsion, and a much smaller number, mainly naval ships, run on gas turbine prime movers requiring aviation fuel. The more advanced navies of the world have ships and submarines with nuclear propulsion. There have also been nuclear-propelled non-combatant ships built but were expensive to build and to operate such that nuclear propulsion has been avoided, as long as there was ready access to diesel engine fuel for economical propulsion. This will not always be so.

Even the change to LNG fuel is a significant process that is only now gaining momentum, with major recapitalisation of shipping fleets involved.

The October 2019, Marine Power & Propulsion supplement to The Naval Architect carried a series of articles on alternative fuels for ship propulsion and battery power for ships. Many developmental projects are underway in Europe and China, and these will influence more general ship propulsion investment over the coming decade or two. The closely related research and development in marine engine design was also discussed with several case studies.

## The imperative for a future free of carbon emissions

The universal concern over a concerted response to limit global warming has

crystalised into a goal to reduce carbon emissions to zero by 2050, covering both industrial and personal activity, as well as from other sources, such as agriculture. The rapid investment in wind power turbines, and solar power sources both industrial scale or domestic dwelling, allied with power storage in batteries or other means, has been dramatic. Similar investment in the several bases for mobility has been less striking, with electric road vehicles leading the transition. Carbon-free aircraft have been experimented using electric power, but without long-term commitment. This leaves shipping as the most likely domain for major change.

The ultimate choices for Ship Propulsion

The most promising substitute for fossil fuels is hydrogen, which may be provisioned as a compressed gas, in liquid form at very low temperatures, but most likely as ammonia in liquid form at room temperatures, and easily transportable in road tankers or in fuel barges.

For high performance ships, such as high capability naval vessels and high-performance cargo vessels, nuclear propulsion is an option that may well prove to be cost competitive with hydrogen, and definitely capable of higher power operation.

## Hydrogen or ammonia

The term 'Hydrogen economy' is becoming widely used to signify the period post-fossil fuels and much attention has been given to hydrogen production and distribution.

In 2004 a paper published in the Journal of Power Sources reported 'The Future role of hydrogen is being addressed in a national study commissioned this year by the federal government. Work at the University of Queensland is also addressing full-cycle analysis of hydrogen production, transport, storage and utilisation for both stationary and transport applications. There is a modest but growing amount of university research in fuel cells in Australia,

<sup>1</sup> Pagni, John. 'Marine fuels after 2020 – visions of things to come' *Shipping Australia Limited Magazine, Autumn – Winter 2019*. Pp18-19

<sup>2</sup> Pagni, John. 'Maritime gears up to meet new global challenge'. *Op.cit.* Pp12-17

<sup>3</sup> Special Correspondent. 'The future of power'. *Shipping Australia Limited Magazine, Spring - Summer 2019*. Pp14ff

and an increasing interest from industry. Ceramic Fuel Cells Limited [CFCL] has a leading position in planar solid oxide fuel cell [SOFC] technology, which is being developed for a variety of applications...<sup>4</sup>

Writing in *The Naval Architect*, Dr Santiago Suarez de la Fuente describes a scenario-based study by University College London, into the likely scenarios to achieve 100 per cent decarbonization of shipping by 2050.<sup>5</sup> This article included the figure illustrating their conclusion on the overwhelming role of ammonia [NH<sub>3</sub>] in shipping fuels.

### Nuclear propulsion

Vergara and McKesson in their paper, 'Nuclear Propulsion in High-Performance Cargo Vessels', 'demonstrates the economic viability of nuclear propulsion as an alternative power source for a high-speed cargo ship using the FastShip as a case study.'<sup>6</sup>

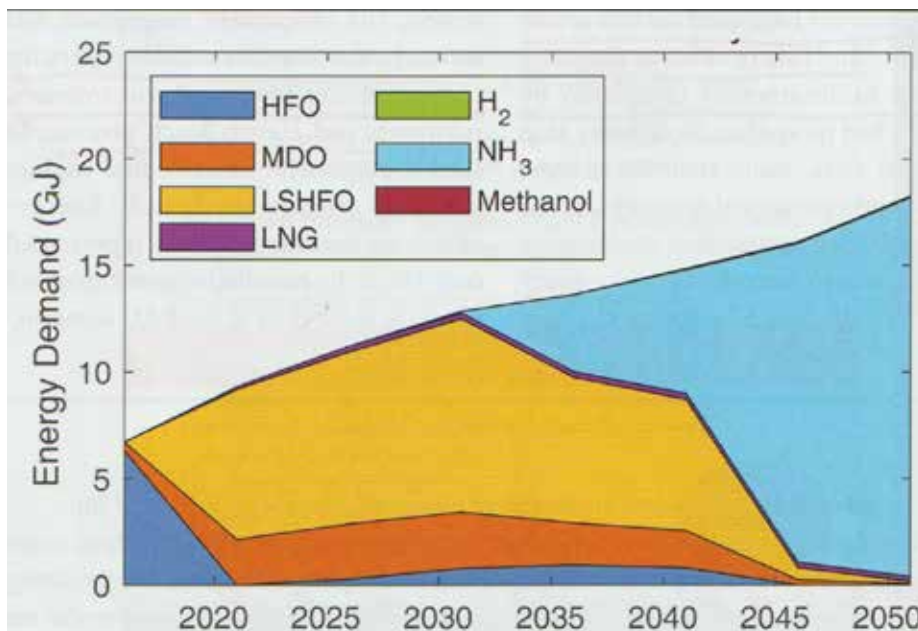
In a previous issue of this magazine the generic case for nuclear power in Australia was made by Dr John Harries of the Australian Nuclear Association, in his article on the case for nuclear power in 2019.<sup>7</sup>

However, the case for nuclear propulsion is more compelling than the case for nuclear power stations in that renewable energy sources are not applicable for shipping. Even though there have been wind-driven propulsion prototypes and there are practical electric powered ships for short-haul applications, for oceanic voyages these are not practical.

For nuclear propulsion, the fuel is prepared from uranium ore so that it can be handled safely and will function for long periods in the reactor, where it experiences very high bombardment with neutrons in an environment of high temperatures and pressures. As the fuel is undergoing nuclear fission to generate heat, it also generates waste products, and the useful fuel is gradually depleted. Ultimately the depleted fuel must be replaced with new fuel, and the removed spent fuel then stored for several years in cooling ponds to allow the heat from residual radiation to dissipate. Finally, the depleted fuel is transported to a reprocessing facility from which some useful fuel is recovered, and the balance of radioactive waste material transported for geologically stable underground disposal.

The refueling of nuclear-powered ships is necessary unless highly enriched uranium (HEU) fuel is used, and this is precluded by the Non-Proliferation Treaty (NPT) restricting the availability of weapons-grade radioactive materials such as HEU or plutonium.

Refueling a civil power station is typically undertaken every 18 to 24 months, but this



Fuel mix evolution for the global fleet to decarbonise the shipping sector by 2050

is impractical for ships due to the need for dry-docking while the refueling takes place. A normal cycle for naval nuclear-powered vessels is every 12 years.

### Implications for Australia

For Australia, the most likely first application of nuclear power will be for propulsion in the next class of submarines to be acquired after the current Attack Class programme. For the nuclear submarines, assuming they would be mostly assembled in Australia, it is conceivable that the nuclear reactor section of the pressure hull will be imported from a friendly country which would also provide the initial nuclear fuel to be installed at the building site in Osborne, South Australia, for example.

### Australian port operations

Movement of new nuclear fuel to, and spent fuel away from the nuclear refueling/defueling port will require a safety case to be approved by the Australian Radiation Protection and Nuclear Safety Agency (ARPANSA). This will affect South Australian ports for the building and refueling in Osborne and for an Eyre Peninsula port to handle radioactive waste containers from the reprocessing of spent fuel to be placed in the Kimba repository.

### Conclusions

The International Maritime Organization is well aware of the implications of the UN goal to halve 2008 greenhouse gas emissions by 2050, and there are a number of projects under development to achieve carbon elimination from ship propulsion.

In terms of ship propulsion, the fuels that

will be employed beyond the current shift to LNG, include synthetic fuels in which the carbon content is contained in a closed cycle, hydrogen as a gas or compounded in ammonia liquid and nuclear. Nuclear propulsion is only likely to be adopted for high performance ships for naval and high-speed commercial services. ▲



\* Christopher Skinner is the editor, "Nuclear Propulsion Roadmap for Australia" and currently treasurer of the Submarine Institute of Australia. He can be contacted at +61-414-990-834 cjskinner@optusnet.com.au

<sup>4</sup> Dicks, A.L. et al. 'Fuel cells, hydrogen and energy supply in Australia' *Journal of Power Sources*, Vol 131, Issues 1-2, 14 May 2004. Pp 1-12

<sup>5</sup> De la Fuente, Santiago Suarez. 'Green ambition: solutions and investment for a decarbonized future'. *The Naval Architect*, RINA. January 020. Pp 28-31

<sup>6</sup> Vergara, Julio A. & Chris R. McKesson. 'Nuclear Propulsion in High-Performance Cargo Vessels'. *Marine Technology*. 2002

<sup>7</sup> Harries, John. 'The case for nuclear power – reliable, affordable and low carbon electricity'. *Shipping Australia Limited magazine*, Spring-Summer 2019. Pp20-21



## The wool and shipping industries - a long history

By PETER MORGAN, executive director, Australian Council of Wool Exporters and Processors Inc.

Wool forms an integral part of Australia's history. While Australia no longer "rides on the sheep's back", wool continues as one of Australia's principal agricultural export industries, together with beef, dairy and wheat (and other grains).

It yielded over \$3.8 billion in export income in 2018/19, when much of Australia was in drought and production was down. The average price at auction that year was about \$12 per kilogram of greasy wool; (or \$2,140 per bale). Very good prices. Prices have been more fragile this season, particularly in the recent weeks of COVID-19. The average price per bale to mid-April was \$1,680, partly due to the impact of COVID 19 related issues in Australia's export destination countries and partly due to other market related issues. But, still a good price in historical terms.

### Export importance

Like many of Australia's agricultural industries, wool is primarily an export industry, with over 95 per cent of Australia's wool now exported for processing. Australia's export destinations are many and varied. Their relative importance has also varied over the years, commencing with the critical demand for wool from the wool textile factories of Yorkshire in Great Britain, in the first half of the 19th Century. Demand later expanded to include countries in Western Europe, Eastern Europe, Asia and the United States. In the last 50 years we have seen Japan become the most important destination in the 1960's, 70's and early 80's, to be followed by the former USSR (together with other Eastern European countries), in the second half of the 1980's up until the collapse of the Berlin wall. The Eastern European countries grew in importance from the 1970's through the 1980's.

### People's Republic of China

China's importance as a destination was growing in the second half of the

1980's, but collapsed in the turbulence of the late 1980's/early 1990's that is associated with the events at Tiananmen Square. Its importance recovered through the second half of the 1990's and continues to do so today. The wool, textile industries and other fibres, have played a major role in the economic development of China over the last 30 years.

32 per cent by weight of Australia's wool exports went to China in 1999/2000. This had risen to 67 per cent by 2007; and to 78 per cent in 2010 after the Global Financial Crisis in 2008. The figure has pushed close to 80 per cent since then, but generally remains around 78 per cent.

The Chinese dominance is emphasised by the volumes going to second placed India (5.9 per cent by weight last year) and Italy (4.6 per cent by weight). Fourth and fifth places are filled by the Czech Republic (3.6 per cent) and South Korea (2.4 per cent).

### Logistics

The cost of transport has always been important. It is a long way from a farm in the central parts of New South Wales or Queensland, to the nearest wool selling centre or port.

Many have seen old photos of wool bales, one either side of a camel; or stacked on horse drawn drays or early trucks; or more recently on B-Double trucks and trailers. The associated improvements in roads means that virtually all wool is now carted direct by road from farm to port-side wool stores, whereas the use of rail was quite common up to 40 or 50 years ago. In the case of rail, most deliveries finished on a spur line beside a wool store that allowed the wool bales to

be off-loaded direct to the wool store. Many will have heard the old adage that wool bales were designed to fit “one on either side of a camel”. They weighed around 100 kilograms in those days, when pressing wool into the bales had a large manual component. The use of hydraulic presses over the last 40 years has enabled bale weights of around 178 kilograms to become the norm, which has contributed to more efficient use of trucks and of container space for transportation. Wool packs are made of nylon; are approximately 70 centimetres by 70 centimetres across the top and bottom and 98 centimetres in length; and are little different in size since the early days of the industry.

Even when pressed to higher unit weights, wool bales are a relatively low density product. Prior to the use of containerisation, most wool bales underwent further hydraulic compression (“dumping”) at port side or somewhere near port-side. In those days the individual “dumped” bales were loaded loosely into the holds of the cargo ships.

The introduction of containerisation and hydraulic fork lifts lead to the development of much more powerful (and expensive) dumps that were capable of “dumping” the 178 kilogram bales pressed on farms into “TriPacks” of three bales that were strapped together into single units, which were not much bigger than a single bale. It is possible to pack 110 to 120 TriPacked



Wool bales awaiting shipment

bales into a 20 foot container with a total net weight of around 20,000 kilograms.

As always, procedures change with time. The greater availability of 40 foot containers in Australia, and of ground space in Chinese receival centres, encouraged wool exporters to China to commence “packing” similar numbers of “undumped” bales into 40 foot containers, thus avoiding the cost of “dumping” the bales prior to shipment. This has grown in popularity.

### Where to from here?

Predicting the future is always dangerous. Current wool production levels are at historically low levels. The keys to successful future wool production will include seasonal climatic conditions, prices/relative profitability when compared with other rural enterprises, ongoing gains in productivity, and savings in off-farm costs. There are plenty of challenges and plenty of opportunities. ▲

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# COVID-19 sails Australian wine into murky waters

By ANDREAS CLARK, chief executive officer, Wine Australia

2020 is shaping up as one of the most challenging years for Australian wine exports in decades.

The year opened with devastating bushfires in the eastern states but while individuals, businesses and communities suffered some dreadful losses, Wine Australia estimates that losses due to fire and the accompanying scourge of smoke damage were around 4 per cent of an average crop or around 60,000 tonnes – less than most normal year on year variations.

But just as winemakers were dusting themselves off, almost literally in some cases – COVID-19 began spreading through China, prompting the lock down of Wuhan and not very long after the whole nation.

Nobody in the shipping and logistics industry needs to be told of the impact that had on international trade and the spreading contagion's impact on global transport.

## Australian wine exports

The value of Australian wine exports continued to grow in the 12 months to 31 March 2020, but Wine Australia expects that the full impact of COVID-19 on exports is still to come.

During the 12 months to March, total export value increased by 3 per cent over the previous 12 months to \$2.87 billion, with a record average value for bottled exports of \$7.12 per litre free on board (FOB).

Over the same period, total export volume declined by 11 per cent to 728 million litres (81 million 9-litre case equivalents), as there is now less wine available due to lower vintages in 2018 and 2019.

Although not yet complete, it is clear that vintage 2020 is delivering exceptional quality fruit but yields are down, so we anticipate that inventories will continue to be depleted.

Pleasingly, the average value of Australia's unpackaged wine exports increased by 5 per cent to \$1.26 per litre – levels not seen since late 2005. This reflects the continued demand for Australian wine even in a more competitive bulk wine market, and this is flowing through to increased returns for grapegrowers in the critically important inland regions of the Riverland, Murray Valley and Riverina.

The COVID-19 pandemic will have a toll on exports, but due to the patterns traditionally seen in wine exports and with the situation evolving on a daily basis in major markets such as the United Kingdom and the United States of America, as of April it is too early to get an accurate picture.

The first quarter of each calendar year is historically the quietest in terms of exports, but the slowdown was significantly steeper in the first quarter of 2020.

The total export value for the quarter ended 31 March 2020 declined by 7 per cent compared with the same quarter in the previous year, principally driven by declines in exports to mainland China. Australian export value in the month of March 2020 to China was 43 per cent lower than March 2019, and 14 per cent lower than the same quarter in 2019.

Sales data from the UK and USA suggests that while cafes and restaurants have closed and sales have been lost, it's been offset by people buying more wine for at-home consumption.

According to data analysts IRI Worldwide, wine sales in grocery and mass merchandisers in the USA grew by 52 per cent in the week ending 21 March 2020.

There are reports that Australian wine is keeping its share amidst this growth, in both the off-trade and online. But more reliable information will not be available until stockpiling calms down.

The UK and Australia went through similar surges and then calmed down. It remains to be seen if wine sales

Figure 1: China bottled wine imports; year ended February 2020

	USD million	Change	Share	Million litres	Change	USD/litre	Change
Australia	814.4	11%	39%	116.8	-2%	\$6.97	14%
France	584.2	-39%	28%	127.3	-19%	\$4.59	-24%
Chile	255.7	-8%	12%	67.8	-10%	\$3.77	3%
Italy	128.0	-9%	6%	28.8	0%	\$4.45	-9%
Spain	128.6	-14%	6%	49.8	-9%	\$2.58	-5%
United States	30.4	-52%	1%	5.9	-39%	\$5.17	-21%
Portugal	22.2	-9%	1%	6.5	-13%	\$3.43	4%
South Africa	19.2	-36%	1%	5.8	-33%	\$3.29	-5%
New Zealand	20.3	-27%	1%	2.3	-7%	\$8.89	-22%
Argentina	23.2	-9%	1%	4.4	-14%	\$5.32	5%
Other	82.8		4%	20.3		\$4.07	
<b>Total</b>	<b>2,109.0</b>	<b>-16%</b>		<b>435.6</b>	<b>-11%</b>	<b>\$4.84</b>	<b>-5%</b>

Source: Global Trade Atlas

through off-licence and online balance out the decline in on-premises sales.

On the upside, Australia remains well positioned in China.

The latest wine import figures from Global Trade Atlas, for the year ended February 2020, showed total wine imports to China decreased by 17 per cent in value (USD) and 14 per cent in volume. This decline was driven by French bottled imports, down by 39 per cent in value (see Figure 1). Australia's bottled imports increased by 11 per cent in value and Australia was the only source country not to experience a decline in bottled wine value.

### Destinations

In the 12 months to March 2020, Australian exporters shipped wine to 119 destinations. Northeast and Southeast Asia continued to be the focus of Australian export growth, increasing in value by 11 and 19 per cent respectively. All other regions declined.

The top five destinations by value were:

- Mainland China, up 15 per cent to \$1.15 billion
- United States of America, down 2 per cent to \$416 million
- United Kingdom, down 10 per cent to \$347 million
- Canada, down 13 per cent to \$179 million, and
- Singapore, up 20 per cent to \$103 million.

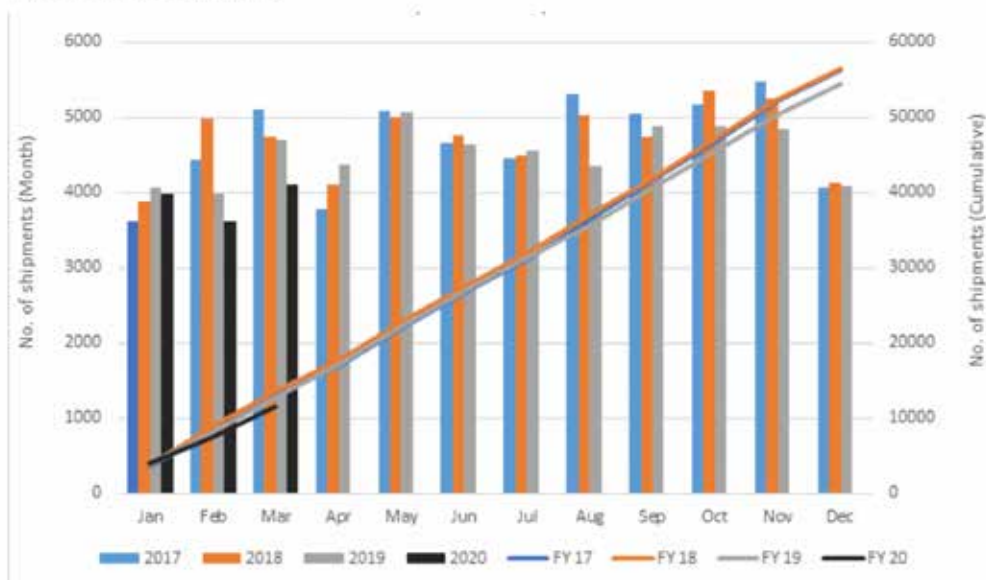
The top five destinations by volume were:

- United Kingdom, down 9 per cent to 219 million litres
- United States of America, down 11 per cent to 136 million litres
- Mainland China, down 11 per cent to 130 million litres
- Canada, down 26 per cent to 52 million litres, and
- New Zealand, down 8 per cent to 30 million litres.

### Shipment departures

With nearly all (99.8 per cent) of Australia wine exports transported via ship to 128 destinations in 2018, the total amount of wine shipped was 847 million litres, or 2.3 billion litres per day. The value of these shipments was \$2.79 billion free on board (FOB). The remaining 0.2 per cent of exports were sent via air transport. This dependency on shipping transport continues to highlight the vital partnership between the shipping industry and the Australian wine community.

Figure 2: Shipment departures



Source: Wine Australia's Wine Export Approvals system

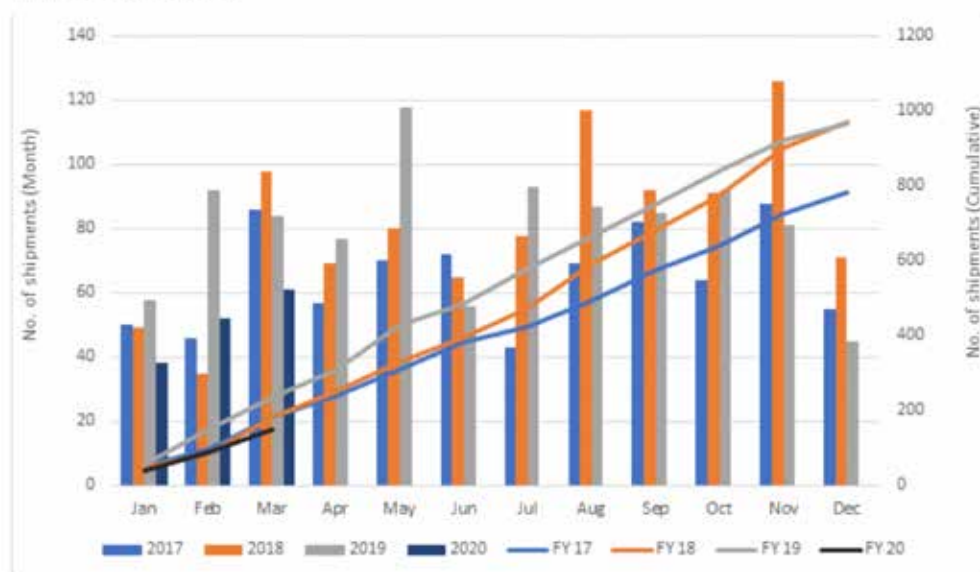
Port Adelaide remains the largest port of loading for wine exports, representing 63 per cent of wine shipments sent overseas. In line with the overall decline in volume of 11 per cent for Australian wine, compared to the moving annual total (MAT) March 2019, volume leaving the South Australian port fell by 11 per cent to 458 million litres. Port Melbourne represented a third (35 per cent) of wine exports in MAT March 2020, with volume shipped down 9 per cent to 255 million litres.

Overall, there were 53,404 shipment departures in MAT March 2020, down 4 per cent on the previous twelve months, equating to 4450 shipments on average each month, from more than 2895 active exporters.

There were 1811 companies that contributed to the growth in exports by either increasing their level of exports or commencing export. These companies contributed \$487 million to the overall growth in exports. There were also 1641 exporters who either decreased their level of exports or stopped exporting in the past 12 months. These companies offset the growth in exports by \$393 million.

Wine Australia continues to issue new licenses to exporters as countries remain in lockdown due to Coronavirus, but the number is down compared to previous years. In particular, during the March 2020 quarter, these were down 35 per cent, but slightly higher than the number of licenses issued during Q1 2016. ▲

Figure 3 Licences issued



Source: Wine Australia's Wine Export Approvals system

# Shipping business student wins Shipping Australia prize!

By JIM WILSON, Shipping Australia

Juan Rodriguez Ortega, a postgraduate student at the Australian Maritime College, has won a \$750 prize from Shipping Australia for high achievement in his studies.

Shipping Australia sponsors the Shipping Australia Prize at the Australian Maritime College, part of the University of Tasmania, in support of maritime education in Australia.

*“Shipping Australia warmly congratulates Juan on his fantastic achievement and we wish him all the best in his future career. Shipping Australia is delighted to sponsor the Shipping Australia Prize at the Australian Maritime College as part of our commitment to, and support for, the Australian maritime industry and maritime education in this country,”* said Shipping Australia CEO Rod Nairn.

Lee-Anne Britcliffe, the AMC’s Student Experience liaison manager, praised Juan for his high performance

throughout the course of the Shipping Australia prize.

“Juan has performed very well throughout the course and he is a very worthwhile recipient of the Shipping Australia Prize. AMC is grateful for the generosity of Shipping Australia in supporting this prize that recognises the outstanding efforts of our students. The prize money helps tremendously with expenses such as text books and it is invaluable on a student’s CV”.

Juan is in the second year of the AMC’s Master of Business Administration (Advanced) (Maritime and Logistics Management) degree.

We chatted with Juan about his outstanding achievement.

**SAL:** Congratulations on winning the Shipping Australia Prize 2020! It’s a great achievement. How do you feel?

**Juan:** It’s always good to feel that your effort is rewarded! It’s great news!

**SAL:** So, what will you do with the prize money?

**Juan:** It’s for my migration into Australia. I’ll use it for paying for my skills assessment. It’s a good use of the money. I want to stay in Australia for at least a couple of years. I’ll try to find my first job here. I don’t know what my dream job is yet. Any maritime-related job really!

**SAL:** How did you end up studying a maritime MBA in Australia?

**Juan:** I’m a civil engineer by background, working in dredging. I have a Bachelor of Civil Engineering



from the University of Buenos Aires, Argentina. I won a sponsorship with PIANC [the international association focused on waterborne infrastructure] in Argentina, and I went to Cairns on a technical visit to PIANC's 6th Technical Biennial Conference 2017, which was held in June. The sponsorship covered flights, accommodation and the event. The sponsorship was based on academic merit and the work I was doing at the time. I spent time in a lab in Manly, Sydney, in White Bay, and I flew to Cairns and visited the Great Barrier Reef. It was pretty awesome! The great value was in networking with engineers from around the world. I still talk to them today.

**SAL:** What attracted you to civil engineering?

**Juan:** I always knew I would study it. Maybe because it's a family tradition.

**SAL:** What do you most enjoy about civil engineering?

**Juan:** It's creating something and building it. It's seeing the project come true. It's something the community can benefit from. I've

always been interested in ports and maritime structures too... don't ask me why!

**SAL:** There are lots of places around the world that you could have studied a maritime-related MBA. So why Australia?

**Juan:** I always wanted to experience study abroad. When I came to Australia on my sponsorship, I learned about the enormous maritime potential here. So I thought it was a good place. I did my investigations and I also wanted to do something that was not technical because I already had that background. The AMC is a well-known institution and Tasmania is a good place to study. There's a great migration programme and Tasmania is affordable.

**SAL:** What have you most enjoyed about Australia?

**Juan:** The peacefulness in Tasmania. It's quite a change from a big city like Buenos Aires. But I haven't much enjoyed the cold! The Uni has always been very good for me. The people are warm and friendly. I've enjoyed travelling around Tasmania and going

to Sydney, where many Argentinians are based.

**SAL:** What do you do your spare time?

**Juan:** I love diving! I had always wanted to go the Great Barrier Reef! It's so famous and so bio-diverse. There were turtles swimming just next to me. It's awesome! You can't believe it until you're actually there. I got into diving in Thailand in 2013 and I did my open water course. I try to dive when I can. It's one of the most beautiful things – it's like you get to see a whole new world. In Tasmania, I like kayaking, trekking, driving to the beach and to the mountains. There are lots of climates in a short distance. I go to the gym, run, and hang out with friends.

**SAL:** If you could travel in time, where would you go and what would you do?

**Juan:** I would definitely go back to the times when I trained and played tennis competitively. Tennis is my other passion and I look forward to start playing again! ▲



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# Living with autonomous systems

By DAVID PATRAIKO FNI, director of projects

Autonomous systems on manned vessels are already reality. The Nautical Institute asked the mariner's opinion.

Autonomous systems are commonplace on modern ships. Most of them are intended to make the mariner's job easier and more effective. We have ARPA, AIS, ECDIS, ship monitoring systems for fire and for water ingress, cargo monitoring and unmanned engine rooms, to mention just a few. Further autonomous systems are being developed and installed, not least for navigation, collision avoidance, engineering maintenance and ship efficiency. There are also thousands of 'autonomous vessels' in use every day. Despite the (genuine) news stories about the ongoing development of autonomous commercial cargo ships, the vast majority of today's autonomous vessels are small (less than 24 metres) and used in controlled waters. These are mostly used for military purposes or for environmental monitoring. This is changing slowly as business cases for larger vessels are becoming increasingly viable. Whatever the future looks like, the fact is that more than 60,000 SOLAS ships are sailing today that were designed to be manned, and it would be prohibitively expensive to adapt them to be fully autonomous, even assuming this were possible. The lifecycle of a SOLAS ship is at least 20 years and it is improbable that all the world's tonnage will be replaced prematurely, so it looks likely that onboard autonomous systems and people will need to co-exist for a few more decades.

## Mariners' impressions

This need for human/machine co-operation will obviously have a substantial effect on professional development needs. The Nautical Institute has interviewed a range of members through its SeaGoing Correspondence Group (SGCG),



*Electronic brain*

committees, social media and personal interviews to understand members' thoughts and to help shape NI's future strategy for professional development. It is not surprising that most NI members are fairly pragmatic and accept the inevitable increase of technology on their ships, as they do in their everyday lives. They can foresee some real potential improvements but also the potential risks, some of which only a mariner can appreciate. The big issue is trust. For an autonomous system to be useful there needs to be a high degree of trust – either trust that the system won't fail, or trust that if there is failure there will be a 'graceful degradation' in the system giving the people on board time and ability to take over control safely. One Master stated: 'For all of us who have been called out of our bunks at night (and it's always at night) to come to the bridge due to a risk, the thought of that call-out being an alarm saying that a computer has gone offline is very frightening.'

Many mariners praised technology and how much better it had made life on board. Some examples were: Automatic positioning systems (ECDIS) improving manoeuvring in tight areas; Automatic monitoring of cargo and unmanned spaces increasing confidence in vessel integrity; Emergency response systems that will start fighting a fire before an emergency can get out of control. Many survey participants referenced dynamic positioning (DP), which is an autonomous system, by definition. Trust in DP is a result of the high degree of redundancy in the system and the graceful degradation made possible through early alerts and specialist training. It is worth noting that this advanced technology giving autonomous operational capability actually requires a higher degree of training and competency than the closest manual equivalent. Should this be the model for other autonomous systems?

## Seamanship

Another area of concern is around seamanship. Good seamanship can prevent incidents by relying on experience that may be difficult for a computer to master, at least in the short term. This tends to relate to the importance of whole-ship situational awareness. Examples given included: Anticipating weather and its effect on shipboard operations; Anticipating that a course change will mean that the ship may roll more, so perhaps the catering and engineering departments should be alerted to prevent incidents; Early detection of cargo lashings working loose (and how to deal with them); The use of smell or feel for early detection that something may be amiss.

## Wish list

There are areas where mariners (mostly deck officers) thought that technology and autonomous systems could make a big improvement on board. However, the overriding caveat for any of these tools was that they must be completely reliable and trustworthy.

**ALARM MANAGEMENT** - Both deck and engineering officers thought that automation could usefully be applied to creating a system of alarm management, for example automatically distinguishing between alerts, warnings and alarms. Deck officers said this would be helpful

in dealing with alarms pertaining not only to navigation but also GMDSS, cargo, engineering, fire etc.

**LOOKOUT, TARGET ACQUISITION AND TRACKING** - Some ships are experimenting with the use of infrared or low-light optics, forward-looking sonar or systems like LIDAR to provide an improved chance of detecting targets such as ships, fishing boats, leisure craft, or even mammals. It was stressed that all these sensors, including radar and AIS, must be 'co-ordinated by an autonomous system' to give a single augmented solution to the mariner, so that the navigator does not become distracted from their task by being a human integrator of technology.

**AUTOMATED LOGGING AND AUTONOMOUS ADMINISTRATION** - It was strongly felt that autonomous systems could remove a significant portion of the onboard administrative burden. There were also numerous questions about why paper-based logs were still in use when significant milestones were certainly being captured by technology as well.

**MAINTENANCE SUPPORT** - A vessel might use hundreds of cargo sensors that degrade over time. As each sensor degraded past a certain point, it would automatically alert the company ashore, who would order a replacement and log it into the planned maintenance system

without involving the crew. The crew would only know when the part arrived with instructions for replacement. This would remove the monitoring, alerting and administration burden of ordering a replacement part.

**EMERGENCY RESPONSE** - As ships become larger and more complex, but crewing remains at a minimum, most mariners thought that the growing use of emergency response systems was a positive move. These systems range from detection to response, which may include triggering extinguishing agents, ventilation control or providing stability advice in the case of water ingress.

**DECISION SUPPORT SYSTEMS** - Humans make mistakes, and decision support tools could become part of a 'safety net' for mariners if used in the right way, with the right training. Decision support systems for avoiding collisions are becoming widely available. Given that decision-making is often in the hands of a single person (who is therefore at risk of being a single point of failure), a system of checking might be useful. However, if the human puts excessive reliance on the system, then the technology could itself become a single point of failure.

Other examples of decision support included cargo systems on tankers, where the wrong alignment of valves can cause

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Yara Birkeland

Image: Yara International

major problems.

**BEING INVOLVED** - Looking at other industries, it is clear that autonomy can be used in a variety of ways. A key question is whether any given system is intended to replace the human (i.e. automatic plotting rather than manual) or to augment the human (i.e. improve target detection). Mariners are eager to be involved in the design and development of autonomous systems that will affect their work, particularly in the early stage where their input can be most effective. Many young mariners are technologically savvy and would see being involved in the application of autonomy on board as a career benefit, and even part of their career path. Regardless of the application of autonomy, the NI is committed to the practice of human-centred design. HCD ensures that all designs, whether physical or technological, support the human operator.

Most mariners are concerned about the risk of autonomous systems causing problems if they are not implemented correctly. Issues raised included not understanding the expressed use, the quality of the algorithms and data, and who bears the ultimate responsibility if the system is either followed or overridden. Nipin Anand has written on how safety trends based on 'big data' can overlook some underlying human element issues resulting in 'algorithmic injustice' (Seaways, Oct 2018).

Cyber-security and recovery have also been flagged as a serious issue by mariners, who find themselves relying heavily on systems that were designed long ago to be safe but not necessarily secure.

**ARTIFICIAL INTELLIGENCE (AI)** - Mariners are starting to think about artificial intelligence and having 'smart' systems that run more than just simple algorithms, and are perhaps capable of 'learning'. The internet is full of stories about how AI has made huge progress in certain fields – for example, it is becoming better at diagnosing some diseases than its human counterparts. But the internet is also

full of stories about how AI has not lived up to expectations. Probably the most common use of AI in shipping has been in target identification and tracking. This technology is essential to the successful operation of autonomous vessels, which need to assess their environments in order to avoid collisions. It has been seen as a natural step to implement this technology on manned vessels to either augment or replace the navigator. One concern is that AI can take thousands or hundreds of thousands of hours to 'train'. For instance, if an AI system incorrectly identifies an object and suggests that it is something that it's not, a human will have to correct the system so that it stands a better chance of getting it right the next time. This 'teaching' should not be done by mariners who are busy navigating. It will distract them and add to their workload. Any AI should be fully tested before being introduced on board.

While other industries have suggested that advanced AI could have social implications – often seen in science fiction movies where humans can bond with technology – this is not something seen in shipping, so far as I have heard. Training Seafarers recognise that they will need additional training if they are to feel competent and confident in the use of new technology. They are also cautious about skill-fade in areas where technology reduces the time spent practising their existing skills, which they may need to fall back on. These include navigation and plotting, shiphandling and general seamanship. New skills will include IT and the understanding of software and algorithms. For example, mariners might need to evaluate: The decisions the machine makes in routing advice and the reasons for those decisions; The quality of the MET data; The formulas used to determine safe under-keel clearance (UKC) and their risk tolerances.

**THE WAY FORWARD** - Mariners recognise that some technical and automated processes have the potential to improve safety and efficiency, and reduce fatigue. However, while they are

pragmatic about the need to adopt new technology, they remain cautious. In the past, implementation of technology has not always been handled well, particularly when cost is an issue. All too often users have not been fully consulted. It is important for ship and shore to have a shared understanding of the purpose of any automation technology. Is it intended to replace an existing task (perhaps automatic reporting), support mariners in their current role (such as providing better lookout and decision support), or are the mariner and the system working in tandem? Mariners need to be consulted at the design stage to ensure that new systems are fit for purpose and support the human rather than undermine them.

Dependability and trust are key issues for successful implementation and operations. Without trust the system actually becomes a greater burden. This can increase the risk of it not being used or used in unanticipated ways.

**DEVELOPING BEST PRACTICE** - It will be essential to have independent observation of how mariners use current and future systems in practice. These observations can then drive real change, if change is needed. The aviation industry, for example, uses a practice called Line Operations Safety Assessments (LOSA) in which independent, trained assessors observe not only competence but also procedures and design, to identify what works well and what needs to change. The Nautical Institute is currently working with industry leaders to train assessors to be better at observing human behaviour on board. These trained assessors will encourage feedback on competency, procedures and design for the shipping industry, in autonomous systems and beyond. User-led design of autonomous systems is an excellent start, but only once we see how these systems are being used in practice can we hope to get the best possible results. ▲

*Reproduced with permission from an article that first appeared in March 2020 Seaways, the magazine of The Nautical Institute.*

## AFIF and CBFCA amalgamation

By PAUL DAMKJAER, chief executive officer, Customs Brokers and Forwarders Council of Australia Ltd (CBFCA) and BRIAN LOVELL, chief executive officer, Australian Federation of International Forwarders (AFIF) Ltd

The Boards of the Australian Federation of International Forwarders (AFIF) and the Customs Brokers and Forwarders Council of Australia (CBFCA) have reached agreement to form a single peak body and to change their current business names to the International Forwarders and Customs Brokers Association of Australia (IFCBAA) Ltd, effective 1 July 2020.

Having listened to members over recent years, the Boards of both AFIF and CBFCA have agreed that the industry requires a single peak body to represent the commonality of interest between international freight forwarding and customs clearance functions, in the provision of international trade logistics and supply chain management services.

The understanding reached between the AFIF and CBFCA Boards involves amalgamating into a single peak body covering members businesses and operations, including dealing with government regulators and stakeholders in the international logistics supply chain.

The Boards consider that a single peak body will be better placed to respond to members' issues and concerns, with far-

reaching experience and a greater united front for our industry.

IFCBAA will continue to operate as a not for profit organisation for the benefit of members, offering a wider range of services and products, with greater economies of scale.

An interim IFCBAA board, comprising five current directors from each of both CBFCA and AFIF (ten persons in total), will remain in place for the first two years, until July 2022.

The chairperson will rotate annually during this two-year period. At the conclusion of the two-year period, elections amongst the combined membership will create a new Board of Directors.

AFIF chairman, Paul Golland said, "I believe a single peak body is something industry has been wanting for a number of years. It allows us to speak for industry with a single voice when dealing with governments, airlines, shipping lines, suppliers and stakeholders in the international logistics supply chain. This has to be advantageous for all of our industry".

CBFCA chairman, Adam Butler said, "bringing together AFIF and CBFCA to form a single peak body was overwhelming endorsed by members. IFCBAA will provide an increased range of benefits for members and enable international freight forwarders and customs brokers to have a strong representative voice in the areas affecting their interests. Joining forces into a single peak body is a historic achievement for our industry."

IFCBAA looks forward to providing members with an expanded range of high level services and representing members' interests as the peak industry body for international freight forwarders and customs brokers. ▲



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## Port report: break bulk markets squeezed by ports and alternative competitors

By JIM WILSON

Break bulk is a shrinking market. Pure-play break bulk operators are being squeezed as governments and seaport operators around the world boost local infrastructure while RoRo, box ship and dry bulk operators simultaneously try to grab market share.

At one end of the break bulk market are crane-equipped general cargo ships. They tend to run a liner-like service and seek “triangulation” — that is, to carry cargo on each leg of a long sea-going voyage consisting of several trade lanes. The end goal is to return to the point of origin without ever having suffered an empty ship.

“The ability of MPPs [multipurpose ships] to carry a broad mix of different cargoes simultaneously means that they are normally employed on trades where the volume of bulk or containerised cargo is too low or geographically dispersed to support employment of larger bulk or container vessels. MPPs are normally equipped with cargo-handling gear, making them highly suitable to call at ports with less developed infrastructure,” says Niklas Carlen, research director at Maritime Strategies International.

### Developing seaports

But that might be changing as nations and seaports develop their infrastructure.

“Port infrastructure is getting better, even in places like West Africa,” Rob Aarvold, general manager of bulk shipping at ship operator Swire Bulk in Singapore, tells FreightWaves.

Port development can be a bit of a double-edged sword when infrastructure, particularly marine container terminals, are built, as the market for break bulk operators can be diminished.

“It [port development] will benefit the market in terms of cargo — with more break bulk and project cargo being needed to develop these countries. In the longer term it will mean fewer multipurpose vessels are needed if everything is going by container,” Susan Oatway, a break bulk analyst with shipping consultancy Drewry, tells FreightWaves.

### Comoros Islands

An example of this happened in the Comoros Islands, which lie to the north of the Mozambique Channel between the island of Madagascar and the southeast African nation of Mozambique.

Prior to 2007, the islands did not have a lot in the way of marine terminal infrastructure and it could take weeks — literally weeks — to unload a general cargo ship. The Comoros Islands were well suited to self-working break bulk vessels. That changed in or about 2007, when port operator Gulftainer of the United Arab Emirates, won a licence to operate. Gulftainer installed container-handling equipment. The landed cost of freight dropped, as the time taken to offload ships fell from weeks to mere hours.

Still, there are plenty of places in the world, such as Samoa, Tonga, Nauru and Tuvalu, all island countries in the

South Pacific, that don't have populations with high disposable incomes to support a large merchandise trade. Nor do they have exciting resources projects that would justify sinking a lot of cold hard cash into major infrastructure works. It's likely that such nations, for a long time at least, will rely on the liner type of break bulk shipping for the transport of general cargo.

**Project cargo**

Another type of break bulk is the "project cargo" market. Operators in this market handle large, oddly shaped and heavy unit-cargoes (i.e. not bulk and not containerised cargo), which require a lot of forethought, engineering skill and planning. That kind of project cargo shipping can be demanded in both developed and less developed nations.

In Australia, for instance, there were numerous oil and gas projects that were completed between about 2005 and 2015. One example, which has opened opportunities for the break bulk market, was the Dampier Marine Supply Base, in or near the dry bulk port of Dampier, in northwest Australia.

Built to support the local offshore oil and gas industry, particularly with the importation of large, bulky and out-of-gauge equipment, it was later bought for A\$44 million by the logistics giant Toll. It offers a wide range of services, including cranes with a safe working load of up to 150 metric tonnes (a metric tonne is equivalent to 2,204.6 US pounds) and a heavy load wharf capable of taking unitised cargo with a weight of up to 2,000 metric tonnes.

Aarvold says that previously remote areas, such as Papua New Guinea at the eastern



*Steel coils are a classic break bulk cargo*

*Image: Jotoler from Pixabay*

end of the Indonesian archipelago, or New Caledonia, a remote Pacific territory of France, also have become "hotbeds of investment." In the case of Papua, it is because of the liquefied natural gas exports. In the case of New Caledonia, it's the nickel mines. In both cases it has led to intensive infrastructure investment.

**New infrastructure technologies**

Even though new projects can present opportunities for project cargo and break bulk shipping, new infrastructure technologies can also potentially reduce the size of the project cargo and break bulk markets too.

Aarvold notes that, today, instead of building new infrastructure or using break bulk ships, there is the option of using floating mobile infrastructure. These

include such things as the floating crane.

"With big, heavy, out-of-gauge cargoes, we use floating cranes," he tells FreightWaves.

There are now also whole floating harbours and transshipment systems for installation or hire. There's one at the Dampier Marine Supply Base.

"The Floating Deck Transshipment System (FDTs) is a privately operated facility located adjacent to the Dampier Cargo Wharf. The floating deck enables optimum operability of the FDTs through the installation of a specialised ramp and ballast system capable of handling a range of cargo from small, unitised freight through to giant preassembled modules. The floating deck dock and barge ramp are rapidly interchangeable, through the use of giant steel wedges to allow access for conventional landing craft and larger liner shipping," says the Pilbara Ports Authority, which oversees the Port of Dampier.

Meanwhile, Sea Transport of Queensland, Australia, for instance, specialises in offering floating harbours and transshipment services to junior miners. It spares them the difficulties of finding hundreds of millions of dollars to build a dry bulk port. Floating harbours also enable project developers to access otherwise stranded resource assets that would be uneconomical to exploit.

Aarvold points to the West Africa bauxite trade. Bauxite, the ore from which aluminium is extracted, forms one of the minor dry bulk trades. "It's only a few million dollars to set up floating vessel infrastructure. The cost of mobilising from Southeast Asia to West Africa is cheaper than ever before. I think, in the global project market, it is becoming a lot easier to progress a project using different solutions. And that's got to be having a big impact on the MPP bread and butter," Aarvold tells FreightWaves.

**Increased competition from RoRo and pure car carriers**



*The break bulk ship Beluga Fantastic*

*Image: Beluga*



Windmill blades being loaded aboard a break bulk ship

Image: Spliethof

The other main reason that the break bulk market is shrinking, is competition for break bulk cargo from non-break bulk operators.

The most obvious examples are the pure car and truck carrier (PCTC) ship operators, such as Wallenius Wilhelmsen, and the various types of roll-on, roll-off (RoRo) operators. MSI's Carlen notes that the PCTC and RoRo operators tend to target the higher value cargoes. It is simplicity itself to get a heavy out-of-gauge cargo of some description, such as an electrical transformer, put it on a roll trailer, a multipurpose bogie or a jack-up trailer, and then drive it onto a giant vehicle carrier.

It is even easier if the machinery already has wheels on it. The big PCTC operators have been offering a liner-like break bulk service for decades. Apart from, obviously, helping to boost revenues, it can create a contribution to cost on the backhaul when the ship otherwise would be empty or would only be carrying a very small cargo.

There are several obvious advantages to shipping break bulk cargoes by RoRo or PCTC. RoRo operators are already very experienced at cargo care — no-one wants the paint jobs on all those shiny new autos to be scuffed and chipped upon arrival at the port of discharge. And PCTCs have huge internal volumes and entryways,

so there are few worries about whether the ship can handle a big or odd-shaped out-of-gauge cargo. Wallenius Wilhelmsen says it can handle unit cargoes up to 6.1 meters high and 12 meters wide, and weighing up to 400 metric tonnes (20 feet high by 39 feet wide, and weighing up to 881,849 US pounds).

Some break bulk services potentially can expose cargo to the elements but this is not so with PCTCs — everything's effectively indoors, reducing the potential for damage and the requirement for costly packing. The cargo just rolls on and off the vessel, so there's little in the need for warehousing or distribution costs. Although it's not free, of course, as a driver will have to be paid to load and discharge it.

Then there's the fact that PCTCs operate on a liner service with scheduled regular port calls on specified routes. Great if it matches the needs of the shipper, a pain if it does not.

"This will tend to be a limiting factor where shippers require direct port calls that fall outside the liner route," Carlen says.

#### Box ships and dry bulkers muscle in

Box ship operators and even dry bulk ship operators are muscling in on break bulk

too.

Obviously, container ship operators have been encouraging shippers to stuff as much cargo inside the container as possible. Shippers are now even containerising bulk liquid cargoes, such as wine (inside specialised bladders inside the box), liquefied natural gas (inside tank containers) and dry bulks, such as grain in food-grade containers.

"You can put pretty much any cargo in a container as long as it fits. There is probably a ceiling with respect to economic sense but it's not possible to calculate. Shipping — and ships — always change and evolve," says Drewry's Oatway.

A spokesman for Swire Bulk added, "Containerisation of break bulk remains a constant challenge, low container freight levels combined with higher sailing frequencies and a lack of break bulk storage availability drives the market towards containerised freight. Only when cargo cannot fit into a container, or packing/unpacking is too costly or time consuming, [then] break bulk remains as the only viable method of carriage."

Meanwhile, container ship operators are not necessarily trying to stuff heavy or awkwardly shaped cargo into the box. MSC, for instance, puts cargo on top of a "prepared bed containing multiple flat racks," or on a flat-rack or open-topped unit. Box ship operators may also place containers around the out-of-gauge cargo to protect it.

However, Swire Bulk's Aarvold sounds a note of caution for box ship operators about putting break bulk in, or on, container ships.

"If you talk to the big main line operators, point-to-point is about lower unit shipping costs and the move to transshipment. Big lines will be looking long and hard at containerising cargoes owing to their lower unit costs. Some bulk grain and even iron ore can go in containers. Big ships are all about speed and turnaround — it's all about unit cost — but if they start putting on flat racks and out-of-gauge, then they may [undo] what they've achieved."

Meanwhile, even dry bulk operators are attracting some break bulk cargo, particularly the blades of energy-generating windmill turbines.

"Look at wind-power — windmills had always been more of an MPP play. But the majority of blades are carried on dry bulk ships," says Swire's Aarvold.

He points out that windmill blades got more robust and dry bulk operators were seeking to boost their return on investment.

"People got better at cargo care," says Aarvold. ▲

Originally published in *FreightWaves* ([www.freightwaves.com](http://www.freightwaves.com))



# The economic impact on markets of the coronavirus pandemic

By PAUL BETTANY, Foreign Exchange partner, Collison & Co.

The global ‘coronavirus’ pandemic has infected people across the world, quickly spreading from Wuhan, China. The virus has not only infected populations around the world but also the economies of the world. Most of the world is in some form of shut-down, preventing the spread of infection by social distancing, in order to gain control and contain the spread. It appears to be working, and Governments are now planning exit strategies from the various lock-downs.

## Chronology of events

The epidemic began in Wuhan, China in December 2019 and quickly the epidemic spread. The Chinese authorities shut down Wuhan to the rest of China (but allowed millions of people to leave for destinations around the world). The first cases spread from China to South Korea, Japan and Thailand around 20 January. President Trump imposed a travel ban on China by the end of January. The virus was rampaging through Europe and Iran by the middle of February. By March the virus had spread to both North and South America and the explosion of infections was rapidly translating into a surge in deaths in Italy, Spain and other European nations. This crescendo rapidly spread to US cities, led by New York, with cases across the globe, and including British Prime Minister Johnson and Crown Prince Charles. Most countries were now in some form of lockdown. As countries experience the surge in infections and death, models have predicted a peak and then decline. This is where we are at the time of this article, and now authorities attention has turned to exit strategies to re-open economies around the world.

## Government fiscal and central bank monetary policy

Governments around the world have worked in close conjunction with their central banks to provide support and relief packages for people and business, to get them through the economic shutdowns. The lock downs have shut down much of economic activity across the world, so individuals need support,

as do businesses, who have been ordered to shut down. The idea is to lock down the population to prevent the spread of the epidemic, while building resources to cope with infections. Modelling has been key to these strategies and now the focus is turning to restarting the economies. This will require massive and unprecedented stimulus, both fiscal and monetary, which vary from one country to the next. The Federal Reserve has led the way, with massive support for business, in the form of debt purchasing from Government Bonds to Junk Bonds! Governments have shipped out unprecedented support packages for people and businesses in an attempt to bridge the gap until economic activity can resume.

## Economies and markets

Equity markets collapsed, with the DOW losing more than a third of its value, in less than a month, from late February. Uncertainty and panic quickly destroyed markets and authorities acted quickly to support them and stabilise the situation. Massive intervention, on a scale not seen before, began quickly across global economies. Governments launched massive fiscal support packages to support people and businesses, and funded through debt bankrolled by their central banks. The Australian situation was a similar one to many countries around the world. The PM refused to go into complete lock down, allowing essential businesses to operate, but thankfully allowed a wide definition of ‘essential industries’. The Government has launched massive fiscal support packages, while the RBA has acted

to support debt markets and ensure liquidity.

Authorities have now turned attention to exit strategies and how to return the economy back to work. The shut-down cannot continue. The IMF and various financial institutions are releasing reports warning of the massive economic damage being done. Estimates of contraction of global economic activity of 3 per cent and unemployment rising to 10 per cent or more. If these numbers eventuate, then the global economy will experience a tough recession, the like of which we have not seen since the 'Great Depression'.

The fear and panic overwhelming markets, at the peak of the crises, saw risk aversion spiral and the safe haven of the US Dollar was sought out. This collapsed global equities and bond yields, while currencies were battered. The AUD fell against the US dollar, from pre-crisis trading levels of above 0.6700 cents, down to a low of 0.5520 cents. Central banks and government interventions, on a grand scale, stabilised markets. The progress and containment of the 'coronavirus' has allowed authorities to move to planning exit strategies

and a return to normal economic activity.

The energy sector has also suffered immeasurably as demand for oil and gas has plummeted. To exacerbate the situation further, a battle erupted between Russia and Saudi Arabia, over supply cuts, and they actually even increased production. President Trump intervened and OPEC PLUS met and reconciled the issue. They have since agreed to cut more than 10 million barrels per day, but the damage was done, with the price of oil collapsing below USD\$20/barrel.

### Conclusions

The worst of the pandemic appears to be behind us and now planning has begun to return

economies back to normal. The key now is timing. The longer it takes individual economies to return to open markets, the more damage will be done. The longer the 'lock-down', the higher the cost in terms of unemployment, bankruptcies and long-term damage to the economy. It looks as if the early and 'most recovered' countries, may be able to return to the 'new normal' and embrace a 'v-shaped' rebound in the

economy. Austria and Germany in Europe, have already started to return to work. The US will follow, with a staged return to normal economic activity. Australia needs to follow the lead of the US to minimise the damage to their own economy. The cost of this pandemic is yet to be finalised and measured, but the recovery can and will take many years. The Australian economy can bounce back quickly, if they can return activity back to full speed, as quickly as possible. There are huge risks and these will be reflected in equity and currency markets. ▲

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## Years of living prosperously – how important are Indonesia and Australia economic ties?

By TIM HARCOURT\*

Indonesia is in the press a lot in Australia. Mainly it's about the 3 b's – beef, boats and Bali. Illegal immigration, live cattle exports and drug smuggling normally dominates.

In fact, once the Airport Economist was hosting an Australian University alumni function in Jakarta with the famous TV anchor, CNN Indonesia's Frida Lidwina. This was at the time of the live cattle issue on Four Corners, and one of Indonesia's most famous Australian alumni was the then Vice-Minister for Trade, Mahendra Siregar, Vice-Minister for Trade (who went to Monash), and there was plenty of tension in the room.

But the Vice Minister was gracious in his remarks and it took a very skilled and professional performance by Australia's Ambassador to Jakarta, Greg Moriarty, to steer us through the issue. If anyone ever wanted to see the skill and professionalism of our diplomatic corps, I'd point to that performance by Ambassador Moriarty and his team in the Embassy in Jakarta, as a great example of excellence.

But how important is the Indonesian trade relationship really? And how can we get successful *business* stories on the front page instead of the other B's?

Because there's no doubt that, despite the dominance of security issues and geo-politics, historically, Indonesia and Australia are long standing economic partners.

In fact, it was symbolic, when he first became Prime Minister, Scott Morrison visited Indonesia rather than the tradition of Australian Prime Ministers past, to go

to London or Washington as their first port of call after assuming the highest office in the land. Malcolm Turnbull and Paul Keating did the same thing and did Jakarta first.

There is strong evidence of Australia supporting Indonesia in the past as an economic partner and vice versa. After all, Indonesia is probably the Australian continent's first trading partner, when indigenous Australians fished and traded sea cucumber and other goods with their Macassan counterparts (Makassar is in the south west of what is now called Sulawesi).

And in the 1940s, in the early struggles for Indonesian independence, Australia was there working together with Indonesia on trade, investment and education ties. This is demonstrated by the recollection of an early instigator of Indonesian-Australian trade relations, the famous Australian labour economist and arbitrator, Joe Isaac. According to Professor Joe Isaac, who went on MacMahon Ball's mission to what was then called Batavia (Jakarta) in the Dutch East Indies in November 1945, Australia's ties were strong right from the start of the Indonesian independence struggle against the Dutch, soon after the Japanese surrender in World War Two. As Isaac recalls:

"We were able to meet Sukarno soon after our arrival, and we met twice thereafter... Mac outlined the purpose of his mission... and that Australia was sympathetic to the political aspirations of the Indonesians; and he canvassed Sukarno's reaction to the despatch by the Australian Government of a boat load of medical supplies. No doubt thinking of the action of the Australian waterside workers (who refused to

load Dutch ships hostile to Indonesian independence). Sukarno expressed gratitude for the support of the Australian people."

This support was a big deal at the time, for the new independent nation in South East Asia. As Isaac notes, the famous Australian diplomatic-academic Indonesian specialists Tom Critchley and Jamie Mackie, "attribute the Indonesian Government's confidence in nominating Australia to the Good Offices Committee, to the action of the waterside workers in banning the loading of Dutch ships and to the support Australia had shown for Indonesia in the UN Security Council."

These closer Indonesian Australian economic ties also continued fifty years later, during the Asian financial crisis of 1997-99 when the Reserve Bank of Australia, particularly thanks to Deputy Governor Stephen Grenville, who has been a diplomat in Jakarta, clashed with the IMF and Clinton Administration in their analysis of the Indonesian economy. The then Treasurer, Peter Costello, took Grenville and Governor Glenn Stevens advice on Indonesia and stared down the IMF and the Clinton Administration's economics team and took a very different tack to the Indonesian economy than Washington. As a result, the Indonesian economy fared much better, recovered quickly and avoided the pitfalls of other developing economies who took the IMF prescription.

As a result, in 2018, Indonesia was a top 15 trade partner with Australia (worth \$16.5 billion in two-way trade), and a vital education partner. A number of Australian businesses have succeeded in the archipelago. As well as big names like ANZ, Leightons, Commbank, Orica and Bluescope, over 2400 Australian

businesses export goods alone to Indonesia, and many corporates have received rates of return four times that of China and India.

But in some ways, Indonesia is underdone as an economic partner for Australia, compared to the giants of China and India, and the maturer economies of ASEAN, like Singapore and Thailand, and our longstanding North East Asian partners in Japan and South Korea. For instance, despite Indonesia's massive size (of 262 million people), there are only 250 Australian companies with a presence in Indonesia, which compares to over 3,000 in other markets like China. Indonesia has never been a low-cost labour country, foreign companies have mainly gone there for the massive domestic consumer market, especially the urban middle class in cities like Jakarta, Yogyakarta and Surabaya. And much Australian investment is in infrastructure, given the logistical challenges of a huge population living across over 17,000 islands.

As a result, many Australian companies enter Indonesia via an alliance with a local partner. For instance, Telstra set up a partnership with Telkom Indonesia. Telstra's Erik Meijer, a long-time Jakarta

resident of Dutch background, explains that a partnership gives you "access to local infrastructure, local networks and relationships. Similarly, Australian health care company Blackmores has its alliance with Indonesia's Kalbe, who have a chain of pharmacies across the archipelago. Blackmore's Dean Garvey says, Kalbe helps Blackmores "to understand the retailer and to access their social media networks" whilst Ongkie Tedjasurja of Kalbe says, they were attracted to Blackmores "quality, innovation and R&D."

Indonesia has a growing middle class and has recovered from the dark days of IMF intervention in 1997-99, and is one of the world's largest and youngest democracies. But economically, it still needs trade and foreign investment to help build capacity from its partners, including Australia. And given its size and proximity, the Australian Indonesia economic partnership has a lot of potential to grown beyond the 3'Bs – beef, boats and Bali headlines.

#### Tim's Tips

"I go to Indonesia a lot and it's such a diverse place from the Hindu Island Paradise of Bali in the East to the

beautiful cultural centre of Yogyakarta in Central Java to Bandung in West Java."

Here's just a few simple tips:

- Understand diversity – it's an amazing archipelago.
- Don't let Jakarta overwhelm you there's an active Australian business community, join the Indonesian Australian Business Council
  - <https://www.aibc.com.au/>
- Appreciate custom and religion. In rural areas and cities outside Jakarta drinking alcohol at business meetings is not acceptable.
- Notice customs like removing shoes, female-male contact/etiquette etc.
- Enjoy the lively Indonesian culture and sense of humour. ▲

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# The Thais that bind through thick and thin

By TIM HARCOURT\*

Thailand has always been a good friend to Australia. In the 1990s, when Australia was first enmeshing itself in the Asia Pacific regional architecture – with APEC and as an observer of ASEAN – it met with some resistance.

Malaysia for instance, was not keen on Australia's closer involvement and tried to prevent APEC's momentum (favouring its own East Asian Economic Caucus). This led to Australian Prime Minister's dispute with Dr Mahatir, when he referred to "other recalcitrants" after the Malaysian Prime Minister boycotted the APEC Leaders Summit in Seattle. But it was the Thais who stepped in on behalf of Australia. The Thai Deputy Prime Minister, Dr Supachai, at the National Trade and Investment Outlook Conference (NTIOC) in Melbourne in 1994, made it clear that Thailand strongly supported Australia and its inclusion in various regional institutions and APEC, when others in ASEAN had tried to exclude Australia to keep "Asia for the Asians". The favour was returned a decade later when Australia supported

Dr Supachai to be the Director General of the new World Trade Organisation (WTO), over a former Prime Minister of New Zealand, Mike Moore. That Australia would favour a Thai over our nearest and dearest Kiwi cousins raised a few eyebrows, but it showed how important Australia viewed its friendship with Thailand.

Australia – particularly the State of South Australia – showed its regard for Thailand when its Government visited the country after the Bangkok bombings of 2015. The Government trade mission to Singapore, Malaysia and Thailand, led by South Australia Premier Jay Weatherill, took the brave decision to press on with the Bangkok leg of the trip, despite the tragedy of the bomb blasts on the very Monday of the weeklong mission. In fact, the Australian Ambassador to

Thailand, Paul Robilliard said, that the 80 strong Trade mission from South Australia was at the time the largest Australian Business mission to Thailand. The Thai minister of transport, Dr Arkhom Termpittayapaisita, expressed his and the Thai Government's appreciation for the mission's decision to continue to Bangkok so soon after the bombing, in his first public appearance since his promotion in a long-mooted cabinet reshuffle. This was important as the State's ties with Thailand are strong. For many years the Port Adelaide submarine corporation was based in Bangkok, under the capable leadership of Graham Storah. Woods Bagot, a century old Adelaide architecture firm was based in Thailand too, and SMR, an automotive components company based itself on the eastern seaboard of Thailand (the 'Detroit of South East Asia'). The mission immediately after the Bangkok blasts, included companies from a variety of sectors, including premium food and wine, aerospace, defence, education and fashion. South Australia's Special Envoy, Sir Angus Houston, and Trade and Defence Minister Martin Hamilton-Smith, lead a high-quality aerospace and defence mission looking to form partnerships with Thai airways and the Thai aeronautical industry. This was coupled with another trade mission headed by Governor of South Australia Hieu Van Le, that focussed on education partnerships with the universities and TAFE SA, to match Thailand's human capital needs in skills and education.

But, with Thailand's reputation for political instability and the incidents like the Bangkok bombings, how does that affect business? The biggest impact is on Thailand's crucial tourism industry, which has been affected over the past years by the coup and related political demonstrations. But other trade sectors of the Thai economy always continue, particularly given Thailand's key position as a trading and logistics hub for the Mekong Delta, which comprises their neighbouring countries of Vietnam, Cambodia, Laos, and the emerging Myanmar (Burma). That's why Australian transport and logistics giant Linfox sees Thailand as key to their ASEAN strategy, as do other exporters and investors.

But even without the bombings, what is Thailand like as a place to do business? According to Greg Wallis, Australia's Senior Trade commissioner in Bangkok in 2015, at the time of the blast (and a proud South Australian from Kangaroo Island), there are several myths about Thailand that need to be dispelled:

"People often think that Thailand is a poor country but it's actually a middle-

income country with a large urban middle-class, with healthy purchasing power. It's not a low labour-cost economy either like Cambodia, Laos or Myanmar (Burma). And yes, it has had 12 coups since 1932, but its political instability doesn't adversely affect Thailand's continued prosperity. In terms of doing business, it ranks 26 in the World Bank Report, ahead of the Netherlands, on 27 and Japan, on 29. It also has the world's highest number of Facebook users" he explains. As Ambassador to Thailand, Paul Robilliard, puts it: "No government has ever been bad for business in Thailand".

Thailand's attractiveness to Australian exporters has also been assisted by the Thailand-Australia Free Trade Agreement (TAFTA), launched in 2005, at the same time as the more publicised Australia-USA Free Trade Agreement (AUSFTA). TAFTA has helped build our trade momentum into ASEAN and the rest of Asia. In fact, in terms of numbers of companies exporting, and other trade outcomes, TAFTA has been more successful than the trade agreement Australia signed with the USA at the same time. Under TAFTA, trade between the two countries has doubled, and Thai foreign direct investment (FDI) stocks have doubled. TAFTA has helped consolidate Thailand as a trading hub for the Greater Mekong Delta, with emerging economies like Myanmar, Laos and Cambodia coming to the fore and joining more developed neighbours, Vietnam and Thailand itself.

TAFTA has also really helped agricultural exporters, as since TAFTA took effect in 2005, over 90 per cent of Thai tariffs on Australian imports have been dismantled. Tariff cuts have helped exports in fruit and vegetables but also in the automotive sector, processed tuna, air conditioning and refrigerator components. More than 3,000 Australian manufacturers now export goods to Thailand and there are 200 Australian businesses operating in Thailand, including a cluster of around 20 automotive manufacturers in Thailand's Eastern Economic Corridor (EEC), incorporating the eastern seaboard that the Airport Economist visited with former Victorian Premier Steve Bracks, as part of the Automotive Review for the Rudd Labor Government.

TAFTA has helped the agribusiness sector too. One agricultural exporter I interviewed for The Airport Economist TV series, David Flack of Global Horticulture, said that, "My mandarins used to incur a tariff on 42 per cent, now it is zero. If you pick up a mandarin in Bangkok it's likely to be from South Australia's Riverland."

But it is not just about tariffs. Australian healthcare company Blackmores established a presence in Thailand more than 30 years ago, and according to its country manager, Pussadee Suchitchon, "Its safety and quality" that really matters to the Thai consumer. "The Thai middle-class consumer is very health conscious and they look for safety and quality in their health products. They are price sensitive but mainly look for value for money," she said.

### Tim's Tips

"Thailand is the land of smiles but also the land of coups, so take caution with the political situation and keep in touch with the Australia Embassy and Austrade. But even in a fluid political situation many Australian businesses operate in Thailand and use it as a base to the Mekong Delta. The Airport Economist was launched in Bangkok by then Ambassador James Wise (now himself an author on Thailand) and Dr Rungtip Chotnapalai the host of Thai TV 3 so I have a soft spot for the Thais that bind!"

Just a few simple tips:

- Be careful re: the political situation check: <http://www.smartraveller.gov.au/>
- Consult with the Australian Embassy, which has a big staff and excellent new building in Bangkok
- Join Auscham and the Sundowners social club <https://www.auschamthailand.com/>
- Check out the comprehensive incentives at the Thai Board of Investment. <https://www.boi.go.th/en/intro/> ▲

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# Cruising ahead of coronavirus and into a place of refuge

By JIM WILSON

It was the last port of call for the poetically-dubbed “last cruise ship on Earth”. Toward the end of April, the cruise ship *MSC Magnifica* sailed slowly into Marseille, France. The ship had set sail from Genoa, Italy, on 5 January with about 1,760 passengers.

Only a few people outside of China were focused on the unfolding public health disaster. It was New Year’s Eve, 2019, when the Chinese reported to the World Health Organization that there was a cluster of pneumonia cases caused by a novel coronavirus in Wuhan.

By the date of the *Magnifica’s*

last journey, the WHO had only published posts on social media and had published its first technical publication to the global scientific community.

*Magnifica* sailed around the world, stopping at many ports of call, somewhat miraculously sailing ahead of the spread of what had come



*Ruby Princess in isolation along side Port Kembla wheat terminal*

Image: Safe Quadrant

to be called COVID-19. That is, until 14 March, when the ship was approaching Tasmania and there were six known cases on the island.

Although the cruise ship had permission to berth, Captain Leotta kept the passengers on board. The ship remained COVID-19 free. *Magnifica* later sailed to Western Australia, where official sources incorrectly claimed that hundreds of people were sick aboard the cruise.

Fears were running high after it transpired that a considerable number of passengers aboard the *Ruby Princess* cruise ship who had been allowed free access into Sydney, and from there to the rest of Australia, were in fact infected with the virus that causes COVID-19.

*Magnifica* re-supplied in Fremantle and headed off for a slow non-port-calling cruise around the world.

Meanwhile, back here in Australia, political tensions were running high over cruise ships, with the local authorities trying to order cruise ships to depart Australian waters.

It wasn't an entirely welcome development for the crew of the cruise ships. If the ships had taken up anchor and left, the crew could well have been subject to a dangerous virus outbreak far out to sea away from any help.

And, of course, there's always the little matter of international law and Australia living up to its obligations.

While Australia, as sovereign state, has the right to control entry into its territorial waters under Article 2 of the UN Convention on the Law of the Sea, cruise ships have a right of passage through the territorial sea under Article 18. Normally, passage must be continuous and "expeditious", but passage can also include stopping and anchoring if rendered necessary by uncontrollable events (force majeure) or for the purpose of rendering assistance to persons or ships in danger or distress. UNCLOS does not specifically give a right to ships to enter port because of distress. It is arguable (and, indeed, argued) whether or not there is a right for ships in distress to enter ports under customary international public law. Some legal scholars argue that as countries impose access controls regardless, then any rights of access



are ineffective.

Article 98 of UNCLOS also imposes a duty on governments to render help to vessels and persons at sea, which doesn't exactly square well with the desire to demand that cruise ships, subject to potentially catastrophic and deadly virus outbreaks, put out to sea far from help.

Back in December 2003, the member countries of the International Maritime Organization approved the adoption of Resolution A.949(23) "Guidelines on Places of Refuge for Ships in Need of Assistance". They apply, among other things, to ships in need of assistance, which are ships in a situation that could give rise to a navigational hazard. Places of refuge are places where ships in need of assistance can take action to protect human life.

The guidelines set out a range of criteria and frameworks that ship masters and coastal states can use to help ships. The guidelines specifically point out there is no obligation on coastal states to grant a place of refuge but equally they urge coastal states to weigh-up all the factors and risks in a balanced

way "and give shelter whenever reasonably possible".

Ultimately, here in Australia, sanity prevailed.

Cruise ships were not forced out of Australian waters as advocated by some of the frothier members of the general public. Resupply was admitted and, during the time of writing of this article, large numbers of the non-essential crew of cruise ships were being tested for COVID-19. Those who were infection-free were being repatriated and those who were sick were given medical treatment and were entered into care or quarantine as appropriate. ▲

# The COVID-19 pandemic and the contractual force majeure landscape

By MICHAEL WRAY, partner, SVETLANA SUMINA, partner and CHRIS HART, counsel and mariner, Holman Fenwick Willan, Houston

Often considered mere boilerplate, contractual force majeure (FM) provisions are taking on far greater significance in light of the global economic slowdown following the spread of COVID-19. In the last 20 years, the world has been exposed to multiple destructive health crises. SARS in 2002 and 2003, Swine flu in 2009, MERS in 2012, Ebola between 2014 and 2016, Zika in 2015, and now COVID-19.

As the severity of COVID-19 spreads, companies are grappling with an inability to maintain regular business operations. Governments are taking various actions, including shutting down non-essential activities, in an attempt to restrain the novel coronavirus from spreading. The rapid progression of this virus has created a situation where parties are unable keep up with contractual obligations due to a wide range of factors, which include governmental orders, social distancing, the unavailability of critical infrastructure such as ports and terminals, or supply chain issues.

Undoubtedly, in an attempt to excuse contractual non-performance or potentially to terminate a contract, a FM clause will take on far greater significance than originally contemplated.

## The force majeure doctrine

The FM doctrine grew out of the common law and is recognised under the general maritime law and state law. Under common law, a party may utilise FM to excuse performance and/or potentially terminate a contract, where performance becomes impossible as a result of a reasonably unforeseeable event outside the parties' control. Such a reasonably unforeseeable event is called a "force majeure".

Over time, the common law FM doctrine was adapted into a standard contract clause, which is often glossed over during negotiations. The FM clause in a contract allows either party to suspend or excuse its performance if certain specified events set forth in the FM clause occur. A FM clause enables

parties to be relieved from their contractual duties when performance is prevented by a FM event. If a FM event persists for longer than a specified period of time, a contractual right to terminate may arise. To trigger the FM clause, the party claiming FM bears the burden of proving that: (1) a FM event occurred, and (2) the FM event is the reason that the contract cannot be performed.

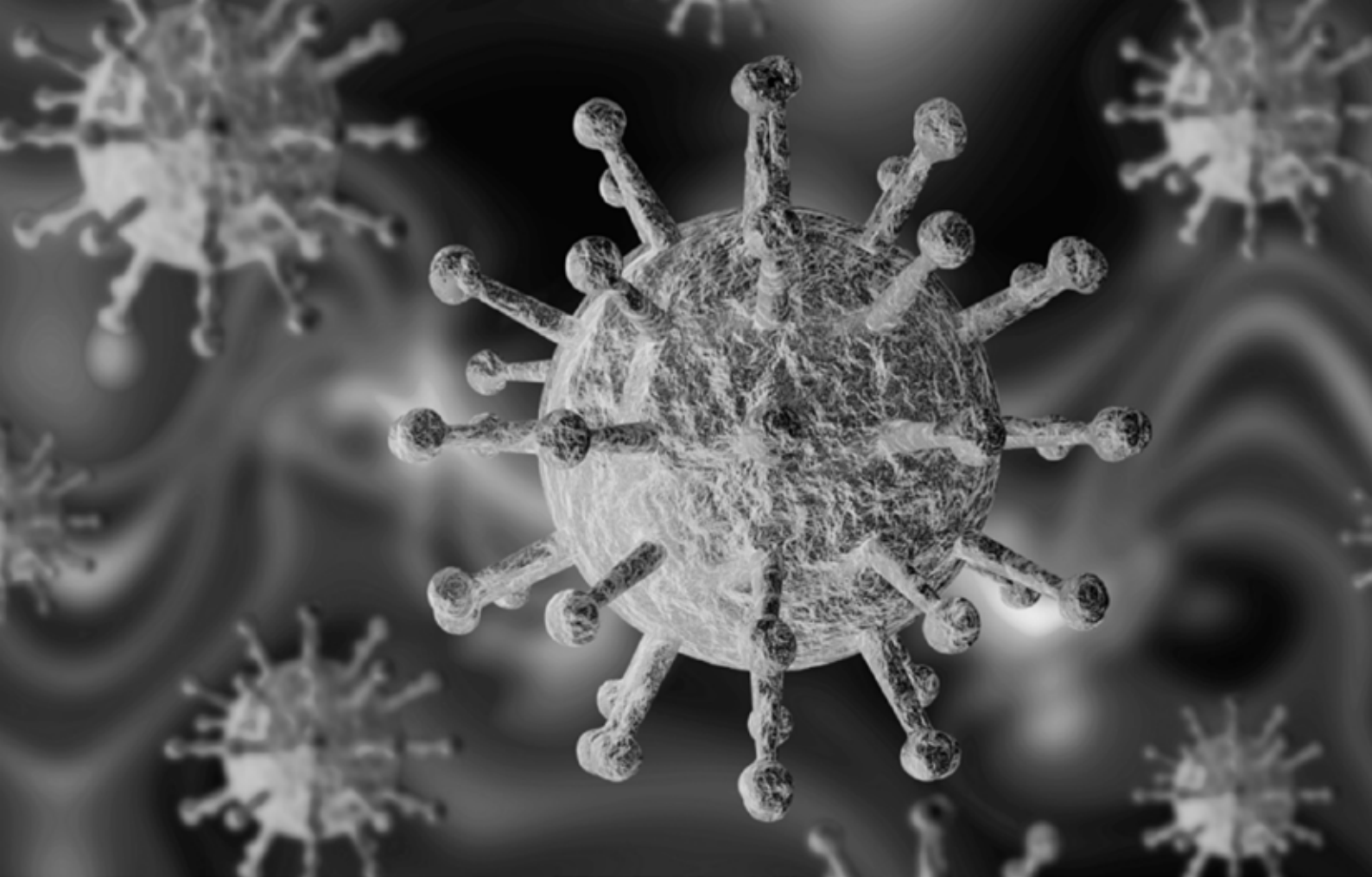
A FM clause is found in most maritime contracts. To trigger the FM clause, timely notice must be made by the party claiming FM. There must be a causal link between the FM event and the failure to perform. Some FM provisions may limit the impact of the event by distance or time.

A party may be required to show that it made a reasonable effort to mitigate the effects of the FM event. Texas State law does not, however, require the party invoking FM to demonstrate that it exercised reasonable diligence to avoid the disruption unless such reasonable diligence is expressly stated in the FM clause.

If the FM provision does in fact apply, the non-performing party is excused as long as the event continues, and termination of the whole contract may be possible if the event continues for an extended period of time, as specified in the contract.

## Is the Covid-19 Pandemic a force majeure event?

Litigation often centres on whether a FM event exists. A FM clause will set forth a laundry list of specific FM events. Common examples of FM events include: terrorist attacks, typhoons, hurricanes,



storms of unprecedented magnitude, flood, volcanic eruption, earthquake, explosion or fire, quarantine, piracy, war, and the ubiquitous “act of God.” A FM clause will often contain a catchall phrase: “any event beyond the reasonable control of the parties.” In relatively recent years, some contracts expressly included “epidemics,” such as in the BIMCO Supplytime charter party forms.

Depending on the language of the clause, the COVID-19 virus itself may not necessarily be considered a FM event. The FM landscape may change in light of the declaration of COVID-19 as a “pandemic” by the World Health Organization (WHO) and the ensuing actions taken by governmental entities to contain the spread of the virus, which have a trickle-down effect on a business’s ability to perform its contractual obligations. Courts may view governmental action taken to combat the virus as the FM event as opposed to COVID-19.

While the interpretation of the impact of a pandemic on FM clauses may be a novel issue, there are limits to the reach of a FM clause. Courts have held that generalised economic hardship or increased expenses do not constitute a FM event.

### Conclusion

It is key to review all FM clauses in contracts. Before triggering the clause, the non-performing party must read the language in the contract carefully. In the COVID-19 context, key language to look for would be references to “epidemics,” “pandemics”, “infectious diseases,” “quarantines,” or the catchall phrase of “any event beyond the reasonable control of the parties.”

If a FM clause is applicable:

- make sure the event fits within the FM clause,
- remember to give proper notice of a FM event (if the contract requires it), and
- make reasonable efforts to avoid the loss, consider engaging with contractual partners to find amicable solutions to the disruptions caused by COVID-19.

FM scenarios are highly fact specific, and the application of a FM clause carries significant commercial impacts. In this highly fluid time, HFW is committed to assist our clients with the commercial and legal impact of COVID-19. For an English law FM perspective, click on the attached link for an article by HFW Partner Brian Perrott. <https://www.hfw.com/>

Coronavirus-Can-it-be-a- Force-Majeure-event-Feb-2020 and our dedicated COVID-19 Hub <https://www.hfw.com/Covid-19>, designed to prepare you for what’s next. The HFW global team will continue to monitor the legal and business implications and report on further developments. ▲



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# Cruise shipping and the coronavirus

By STUART HETHERINGTON, partner, Colin Biggers & Paisley

In brief - cruise ships have struggled to disembark passengers and crew when they have not been permitted to call at certain ports.

A number of these ships have been off the coast of Australia and have attracted considerable publicity, particularly in Sydney and Fremantle.

The principle of free pratique is enshrined in various conventions to which Australia is a party and this is an opportune time to be reminded of the regimes that apply in Australia.

Firstly, Australia, and about 193 other countries, are members of the World Health Organization (WHO) and are bound by its International Health Regulations which were negotiated in Geneva in 2005, entered into force generally in May 2007, and applied in Australia on 15 June 2007. In Section 2 of the *National Health Security Act 2007*, the Objects of Part 2 dealing with Public Health Surveillance, it is said that one of the objects is to support the Commonwealth and States and Territories in giving effect to the International Health Regulations. The later *Biosecurity Act 2015* identifies one of its objects under s.5(b) as being to “give effect to Australia’s international rights and obligations including under the International Health Regulations and the Law of the Sea Convention. (Express reference is contained in the *Biosecurity Act* to one of those rights: the right of innocent passage (Section 30)).

The WHO International Health Regulations require States to report certain disease outbreaks and public health events to WHO. In addition, under Article 20, States are required to comply with, what are described in Annex 1 as, “Core Capacity Requirements for Surveillance and Response” at airports and ports.

Importantly, these requirements include the provision of “Specialised staff, laboratory analysis of samples and logistical assistance (equipment, supplies and transport)”. These requirements include, inter alia: the provision of access

to appropriate medical service, including diagnostic facilities located so as to allow the prompt assessment and care of ill travellers; to provide access to equipment and personnel for the transport of ill travellers to an appropriate medical facility; to provide appropriate public health emergency response by establishing and maintaining a public health emergency contingency plan; to provide assessment of and care for affected travellers by establishing arrangements with local medical facilities for their isolation, treatment and other support facilities and services that may be required; and to provide for the assessment and, if required, quarantine of suspect travellers.

Secondly, Australia is a party to the *Facilitation of Maritime Traffic (FAL) Convention 1965*, which entered into force in 1967. Australia acceded to it in 1986. That Convention makes recommendations concerning the ready availability “of medical facilities as may be reasonable and practicable for the emergency treatment of crews and passengers” (Annex to the Convention Section 6.9).

Thirdly, Australia has also ratified the IMO’s MLC 2006 Convention and gave effect to it in the Navigation Act 2012 and Marine Order 11. In its guidelines at Guideline B4.1.3 the Convention provides in relation to “Medical Care Ashore” that seafarers should have access to hospitalisation where necessary and “Suitable measures should be taken to facilitate the treatment of seafarers suffering from disease. In particular, seafarers should be promptly admitted to clinics and hospitals ashore without difficulty and irrespective of nationality or religious belief”.

Australia has also recognised its treaty and local law obligations in its 27 March 2020 Amendment Determination (No. 1) of the Biosecurity (Human Biosecurity Emergency) (Human Coronavirus with Pandemic Potential) (Emergency Requirements), pursuant to Section 477(1) of the *Biosecurity Act 2015*.

By these recent provisions a cruise ship is banned from entering Australian territory or

ports before 15 June 2020 unless:

- It has permission from the Collector of Customs; or
- It is exercising a right of innocent passage; or
- Its entry is necessary for securing the safety of the ship or saving life at sea; or
- The voyage commenced in Australia and is being conducted for the sole purpose of performing necessary maintenance to the ship (section 5).

By Section 6, a foreign cruise ship is required to depart Australia if it is in Australia before 15 June 2020 unless:

- It has permission from the Collector of Customs to remain; or
- It is exercising a right of innocent passage; or
- Its entry is necessary for securing the safety of the ship or saving life at sea.

It is that latter exception which appears to recognise the obligations which Australia has pursuant to the WHO Regulations, the FAL Convention and the IMO MLC Convention to sick passengers and crew.

The disembarkation of sick crew members recently from the *Ruby Princess* cruise ship in Sydney suggests that Australian authorities recognise their international and humanitarian obligations in balancing them with their obligations to their own citizens. There are three further considerations to be taken into account in that balancing act including:

- Australian passengers overseas on cruise ships, no doubt hoping that foreign governments recognise their obligations;
- Australia’s dependence on the carriage of goods by sea and international trade; and
- The ever growing significance of the cruise industry to the Australian economy (recently quoted as a \$5.2 billion contributor). ▲

# 90 Percent of Everything

ROSE GEORGE, Metropolitan Books, Henry Holt and Company, 2013\*

Every person, politician or public servant who has anything to do with setting policy relating to trade, transport or infrastructure should be forced to read at least the first chapter of this book. So should everyone else. Rose George successfully captures the essence of the modern shipping industry and puts a simple reality on the magnitude of the global shipping task in her 13 page introduction. You will want to read more.

*Ninety Percent of Everything* is a new book on an age old theme: the invisibility of shipping, the lifeblood of the global economy, and the ignominy of the seafarer, used and abused. It is certainly a worthy review, successor to *Two Years Before the Mast* and, while covering a lot of similar ground, particularly in relation to the welfare of the seafarer, it successfully recalibrates the reader to the contemporary circumstance of a modern merchant ship and her crew.

Ostensibly a story about a sea voyage aboard a modern container vessel, *Ninety Percent of Everything* is in reality much more than that; an enticing exposé into the shipping industry, the great invisible giant that, in George's plain speak: "Puts clothes on your back, gas in your car, and food on your plate." Through a chronology of the voyage from Europe to Asia, and with a strong focus on the impact on humans and the environment, Rose George observes and explores the how and the what of sea trade: its challenges, its necessity, its risks and rewards, its pollution, its relentlessness, the loneliness of life at sea. She provides an overview of the international regulatory environment, the obligations stemming from

international conventions, a detailed analysis of the implications of flagging out to open registers, the economics of differing taxation regimes and a score card of ship losses and abandonment atrocities linked to shipping companies and black listed registries that she is willing to name and shame. It is a comprehensive coverage.

For the landsman this book presents a remarkable, eye-opening excursion into an alien world. A layman will learn a lot about the shipping trade, almost by accident, whilst thoroughly enjoying the story. For the seafarer, it presents perhaps a naïve view of everyday life at sea, but one that is meticulously researched, keenly observed and cleverly told. Most of the time she gets it right, and to me her insight was proven when she recounted a story of what a leave starved seafarer mostly craved, green, and green grass in particular. That brought déjà vu of my early experience at sea, the deprivation of green over months on an endless sea and at every port of call my first destination was to a park to roll on the grass and stare at the trees, and then a milkshake – there is no green at sea, seafarers do miss green.

Annoyingly, there are a few grating errors which detract from the otherwise erudite writing and remind the reader that the author is a journalist and a writer, not a seafarer: her reference to "a gang of dolphins" (why not a pod or a school?), and describing a schooner, as a "square rigged wooden ship"; but I'm being pedantic, read and enjoy.

Her ship is the *Maersk Kendal* and in part this book is a tribute to Maersk, but you can't argue with the impressive growth and profitability of the world leader in the box trade,

"Denmark's largest company, its sales equal to 20 percent of Denmark's GDP." But Rose George has strong opinions and she is not afraid to use them, her host is not immune to her willingness to criticise when she so decides. In various parts she is hosted by Maersk, EURONAVFOR, and the Portuguese Navy and they all come in for their fair share of scrutiny and rebuke. But she doesn't stop there, George deals out strong criticisms to the paralysed bureaucracy of the IMO, unscrupulous ship owners, Filipino ship manning agencies, and masters who fail to respond to mayday calls - she is not out to make friends.

The author is intent on discovering what makes a person endure the risks, separation and deprivations of life as a seafarer. She profiles her captain, delves into the deepest secrets of crew members, vilifies Somali pirates and praises the seafarer's welfare organisations and the International Transport Federation for their efforts to bring fair working conditions to this hidden industry. She dares to look through the cracks and reveal the high risk reality of life at sea beyond police forces and national laws.

Her observations and analysis of Somali piracy is forensic. She dispels the romantic myth of pirates of the Caribbean and voices strong distain for the practice, and a hatred of those that perpetrate it. She talks to the victims and describes their mental and physical torture and their fear. She laments the futility of international efforts to overcome this stateless crime against humanity. The patrol forces are constrained by international law, the coastal State is not equipped or inclined to intercede, and other nations are reluctant to

bring the problem home.

Rose George is a researcher and she has not only written what she saw, she has dug deeply behind those observations, to set them in a well-considered context. It is not surprising that she has resorted to a library of research materials to fill the book with interest. After all, those who have been to sea realise that not every minute is filled with wonder and excitement. Surprisingly, for a book that reads like a novel, *Ninety Percent of Everything* comes complete with detailed endnotes and an index, together totalling 38 pages. The only annoyance is that the endnotes are not referenced throughout the text which leaves the reader to either discover them by accident (as I did) or stumble into them at the end of the read, when the impact is lost.

Possibly as a result of her extensive research, at some parts, the book becomes frustrating; she seems so intent on emptying facts and stories onto the pages that the book seems to lose its flow and purpose. I am reminded of the endless, frustrating

digressions in Joseph Heller's *Catch 22* when we find ourselves suddenly transported from Salalah to a Mission to Seafarers in Immingham, then from the coast of Sumatra to chasing right whales and copepods off Cape Cod. Like Dr Who, we travel instantly in space and time from the perils of search and rescue near the Solomon Islands, to the battle of the Atlantic during World War II to relive stories of death or survival. I thought this was a modern sea voyage from Europe to Asia – but that is only the façade, it is a collection of stories of the enduring struggle of seafarers linked, somewhat tenuously at times, by the common thread of the fundamental truth that sea cargo is essential; almost everything travels by sea.

*Ninety Percent of Everything* is a book to read and then to keep on the bookshelf, to lend to someone else in need of enlightenment. The seafarer will nod and reminisce, empathising with the master as he laments the fall in standards of seafarers in the rush for cuts and cost savings, the landsman will be constantly surprised as a hidden world is revealed, but

both will enjoy the voyage. It is clear that Rose George enjoyed her voyage. She has contracted the unexplained and inescapable attraction of the sea and become a victim of the romance of the oceans. She has bonded with the crew and hesitates to go ashore, for “friendship, say seafarers, ends at the gangway.” – **ROD NAIRN** ▲

*\*First published in Shipping Australia Magazine, Summer 2013. Republished here due to its strong relevance to the current COVID-19 international supply chain disruptions.*



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- Tarawa and Majuro.

# A readers response to 'The Future of Power' article in the Spring Summer 2019 edition

Dear Editor,

I refer to the unattributed 'Feature' article, *The Future of Power* 'published in the Spring Summer edition of the Shipping Australia magazine.

It is a most biased and misleading article predicting the demise of coal by 2030; "renewables could drive coal out of the Australian market by 2030". This is a complete fabrication unsupported by the facts. According to a recent Wood Mackenzie study thermal coal use will only continue to grow until a peak in 2027." The use of coal will extend well beyond the decade after that. I have no problem with others expressing their views and opinions contrary to mine but this article extends beyond that reach, it presents as fact some false and misleading information.

If the claims in the article were true then our business and that of many others associated with maritime services in Queensland would be decimated by 2030. The coal industry is not only important to your members and readers, it is critical to the economic wellbeing of the State of Queensland. Some anti-coal activists misleadingly claim that there are only a few hundred coal miners jobs at stake. There are many more coal dependent jobs created in transport (rail) port infrastructure (reclaimers and loaders), marine surveyors, line and tug crews, ships' agents and of course marine pilotage, the list is near endless. The Queensland Government itself collects revenue of over \$5 billion a year in coal tax royalties.

We can only assume the article is an anti-coal activist's distorted and

misleading misrepresentation of the coal industry in Australia. I say assume as my email exchanges with Shipping Australia reveal that the article was submitted to Shipping Australia on the condition it would maintain the anonymity of the author. Hardly the act of a person who has the courage to stand behind his own claimed beliefs.

Many years ago the former Greens leader openly conceded that protestors locking themselves to mine site gates and chaining themselves to trees had been unsuccessful.

He revealed a new multi-faceted strategy had been developed which involved the following;

1. Attack the Government approval process. Lobby Government and individual members of Parliament, seek direct parliamentary representation and appeal the mine approvals in the court system. This strategy had been successful in achieving a ten year delay in Adani receiving the final approval. The Acland mine expansion has been delayed by the State Government approval process and the courts for 12 years.
2. Attack the banks and investors who lend and or invest in new mines. This strategy has been successful; none of the big four banks will lend on any new greenfield coal mine.
3. Attack the mining companies who mine coal regardless of whether it be thermal or coking coal. We have seen the big end of town succumb to this pressure despite the profitability of these mines. Multiple Australian miners are committing to or have already exited highly profitable Australian coal mines. In some

cases, the mines have been bought by the overseas buyers of the coal; in other cases, local independent miners are now operating and benefitting from growing demand.

An integral objective has involved an endeavour to create the false belief that there is limited economic life in existing and future coal mines. This article is a blatant attempt to convey this falsehood.

The correspondent dances around the reliability flaw with renewables; that is what you do when the wind doesn't blow and sun doesn't shine? The article does concede there is a problem and that "for longer term storage ... Australia is going to need something with a bit more weight to it." This is in itself misleading and a gross understatement of the deficiency of renewables. There is not only a "longer term storage" problem, there is also a short-term storage problem. For example, solar cells without batteries cannot provide night-time (or on cloudy days) power. Considering renewables are currently satisfying less than 15 per cent of Australia's power, the lack of storage (batteries) will become more severe and disruptions to continuous power delivery as experienced by Victoria and SA, will become more frequent.

The author attempts to perpetuate the myth that renewables are cheaper and that new coal fired plants can't compete on cost. Pro-renewable advocates when comparing the relative costs do not include the cost of storage required for effective adoption of renewables. Without storage, wind and solar renewables are unreliable whereas coal, LNG fired, hydro and nuclear plants can operate continuously 24 /7. The





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