



Working for the greater good – it's harder than it should be

By ROD NAIRN

In a year that started with so much promise, this year has not delivered on the optimism that was building in shipping throughout 2017. There have been ups and downs in all sectors, with the age-old problem of capacity exceeding demand persisting in all but the LNG and product tanker categories. Most of this is related to lower demand rather than excess supply, there is greater uncertainty in the global economy, fuelled to some extent by Brexit but in the second half of the year the tariff war between the USA and China has also taken hold. Most major lines have posted losses. Looking ahead I see the challenge of meeting 2020 sulphur limits, whilst being costly, may actually help by increasing scrapping rates and restore the balance a little more.

In Australia, the sustained drought in the eastern States has had a marked impact on agricultural export quantities, and now we look back at last year's shortage of food quality containers with longing. Vehicle imports, which were at record highs earlier in the year, have now fallen to record lows, not helped by the difficult and costly management of the brown marmorated stink bug threat.

This year Shipping Australia has had to respond to some big challenges: the termination of the discussion agreements, appropriate visas for crews of vessels calling at offshore facilities, increased vessel arrival charges, so that international arrivals subsidise domestic ballast water management, brown marmorated stink bugs and of course an unjustified biosecurity levy being imposed on international shipping. We've also had some violent storms leading to port closures and in one

instance, significant loss of containers on the east coast of Australia.

The year has been busier than ever in terms of staff effort on Government consultation. Shipping Australia has commenced consultation with the ACCC over the requirements of the industry for the development of a potential class exemption to cover shipping lines. Our position remains that Part X of the CCA already provides the appropriate level of competition protection. It is low on regulatory compliance red tape and is supported by both carriers and shippers. But the future of Part X is not at issue here, that will be determined by the Government at some future date, not by the ACCC. The timeline for this class exemption has blown out considerably. Originally planned for completion by the end of 2018, it is now at least a year behind this due to slow progress on the collective bargaining class exemption, which has been given priority.

The ACCC has been busy in other areas. In October, the ACCC ruled that PNO had overcharged its channel fees, and must be reduced by 20 per cent, backdated to 2016, not surprisingly the Port has appealed this decision. Then in December the ACCC announced that it would take legal action against NSW Ports for making agreements with the State of New South Wales that had an anti-competitive purpose and effect. This is an interesting development but not really a surprise. The ACCC has been critical of this privatisation process, which occurred without any effective price control, and were more dismayed when the secret compensation clause was made public. One would expect that the New South Wales Government is responsible for the deal but the ACCC

has no power to pursue governments, only corporations, so they have focused on the other party. One final twist is that sources advise that the concept was conceived by the unsuccessful bidder for Botany and Port Kembla, who subsequently became part owners of Newcastle – what a complicated world.

The Department of Agriculture and Water Resources has taken more than its fair share of Shipping Australia's time and effort this year. After initially arguing against the excessive cost of port marine pest monitoring for domestic ballast water implementation, in April our members agreed to accept the increase in the vessel arrival charge (which meant international vessels subsidising domestic ballast water implementation), on the basis that port marine pest monitoring would inform and mitigate hull biofouling risks, but they didn't expect to be asked to pay again.

Since the Budget announcement of a new biosecurity levy, SAL has been engaged with a coalition of industry associations and supporters to oppose the levy. Originally proposed as a tax on stevedores, the levy applies to all containerised, bulk and break-bulk cargo, whether it presents a bio-security risk or not. In November, the department restructured the levy to place the tax collector burden on shipping lines and agents. There is no justification on a risk basis; the only fixed points in this levy are the start date of 1 July 2019 and the fact the department aims to collect around \$108 million per year. DAWR now proposes a levy on all ship arrivals, in addition to continuing the levy on containers, breakbulk and bulk imports. This is a blatant duplication of the arrival charge that these ships already pay to



The shipping industry relaxes at the SAL New South Wales Christmas lunch

cover any biosecurity risk they pose. Somehow this new charge on all ships, both import and export, is meant to hide the logical flaw of charging a biosecurity levy on bulk imports, such as fuel, that don't present any biosecurity risk. They have reduced the quantum of the bulk charge levy by 50 per cent but they are still charging. Let's face it, there is absolutely no logic in either the new levy or the inefficient way it is proposed for collection – it's a cash grab and a tariff on trade, using biosecurity as an excuse. Strong biosecurity is critical to Australia and it should not be the joke that it is being made, by poor policy being badly implemented. Biosecurity should be adequately Budget funded.

Brown Marmorated Stink Bugs have been the other major work area. This hitchhiker pest has now spread from USA and Italy, to nine other high-risk countries, and the spread is likely to continue with this becoming a global, all season problem. Tight restrictions for Australia and New Zealand have required offshore treatment of many cargos, and carriers have been caught out and worn massive costs when non-compliant cargo has been carried. SAL has met with DAWR weekly to monitor regulatory developments, and continues to press DAWR for appropriate offshore requirements and individual risk assessments in the case of minor infestations detected on ships. It seems that DAWR is unwilling to impose offshore pre-treatment requirements on some of our major trading partners for political reasons, but this puts the risk onto the ship operator, who bears the cost of having their ship delayed or refused entry. This has already happened for some RoRo vehicle carriers, resulting in cargo being returned to port of embarkation. Shipping Australia has previously advised our members not to embark any break bulk cargo from high risk countries, unless it has been appropriately treated. We

now extend this advice to other known risk countries that are not formally on the DAWR high-risk listing. The BMSB problem will only get worse as the risk spreads to other countries, and once established in the southern hemisphere, will become a year around impact.

The Department of Home Affairs has also kept us busy. Amongst the broad range of policy matters being dealt with, appropriate visas for ships crews carrying imports to and exports from offshore facilities, has been a big one. After a lot of negotiation, a regulatory change has resolved much of the problem and the Border Protection officers have taken a more enabling position, with respect to trade. Crews of vessels from overseas now need only maritime crew visas to call at FPSO to embark export cargo.

It wouldn't be a Shipping Australia commentary without a mention of coastal shipping legislation, so I won't let you down. Some useful amendments to increase cargo tolerances and port details were pushed through the House of Representatives earlier this year but seem unlikely to be listed for debate in the Senate before the next Federal election. Yet another year of inaction, while Australia generates more green-house gas, suffers unnecessary road casualties and frustrates more Australians by utilising trucks on roads to move long-haul cargo, which should logically be moved by sea.

As we look towards 2019 the key challenges for the shipping industry will include: cybersecurity, digitisation of trade, a focus on dangerous goods packing, hull biofouling, and compliance with the IMO 2020 sulphur limit. By far, the most urgent is the 0.5 per cent sulphur limit, and this also puts a lot of responsibility on fuel companies and national maritime authorities to ensure that sufficient quantities of quality compliant fuels are available. Shipping

lines have taken a mix of approaches to compliance. Many have been caught short, as they have already invested in open loop scrubbers, which have now been banned for operation in some ports. Closed loop scrubbers are more expensive and take up more space. Of course, the smaller ships will not fit scrubbers and their compliance will depend on availability of low sulphur fuel, but how will this impact on the reliability and maintenance of their engines? Then there are those who are opting for LNG but again, this brings with it a fuel availability challenge, at least in the short term. No matter which option is chosen, one thing is certain, there will be substantial additional costs and shipping cannot absorb these. Perhaps there is a business case for rejuvenation of the local manufacturing industry! ▲



Paul McClintock, AO chairman NSW Ports (major sponsor) addresses the Christmas lunch