It's a mad, mad, mad world

By ROD NAIRN

Over the course of this year the COVID-19 virus has turned our world upside down, and nearly eleven months down the track, there is no real end in sight. The rate of infection is near the highest that it has been since the pandemic began, with around 660,000 new cases each day. As of 6 December, the World Health Organization reports that COVID-19 has infected nearly sixty-six million people and is responsible for more than 1.5 million deaths. Encouragingly, the mortality rate of COVID-19 infection remains relatively low, averaging around 2.3 per cent. The recent announcements that three separate successful vaccines will be available early next year has certainly boosted market confidence, and share markets all over the world are rushing to record levels. Lockdown and travel restrictions have kept people in their homes, and there is a consumer rush to buy things when they previously would have spent on services. This demand has resurrected the container industry from all-time lows in May to all-time highs in November. Yes, it's a mad, mad, mad world.

At the start of the year, from the global perspective, the big threat for global shipping which had been talked about for nearly four years, was "IMO 2020", the requirement for all ships to use 0.5 per cent sulphur fuel or fit scrubbers to remove excess sulphur from their exhaust emissions. In January, ships of all types were still scrambling to fit scrubbers, and all those who had not already done so were demanding their share of the limited global supply of Very Low Sulphur Fuel Oil (VLSFO). This caused VLSFO demand and rates to skyrocket. At the beginning of January, VLSFO fuel in Singapore was US$734, and those shipping companies who had moved early to fit scrubbers and allow the continued used of 3.5 per cent sulphur fuel (HSFO) were rubbing their hands with glee. This was to be short-lived for two reasons: firstly, oil companies were quicker than expected to respond to the increasing demand, but more crucially, the impact of COVID-19 stifled demand in March, and by mid-April VLSFO prices had plunged 79 per cent to around $220. The price differential between VLSFO and HSFO had narrowed to around $60, completely undermining the benefit/cost business case for fitting scrubbers, but the lower fuel price certainly helped much of the shipping industry survive in the first three months of COVID-19 uncertainty.

The move of SAL headquarters to 80 William Street, Woolloomooloo, last year and introduction of video conferencing capabilities, both in the boardroom and at the desktop, was indeed prescient. All staff had already been transitioned to portable computers and the internet telephone system supported remote office functions. When COVID-19 escalated, SAL staff could immediately switch to working from home, the reduced commuting time and reduced travel for external meetings has been converted into additional productivity. For much of April through to June, only one staff member was at the office, but SAL's workload and effectiveness has been higher than ever.

Sadly, the standout casualty of this pandemic has been the humble seafarer. Ships' crews have been isolated, and virtually imprisoned on their ships since before the beginning of the pandemic, when media coverage of COVID-19 infections onboard cruise ships wrongly tarred cargo vessels with the same brush. Inconsistent and irreconcilable State restrictions both here and overseas have meant that ships' crews have been denied shore leave, forced to remain onboard well past their employment contracts and in many cases, refused access to medical and dental services. The vast majority of SAL's frenetic workload has been in attempting to influence States to allow seafarers to be treated like human beings and provided with access to medical care, and to facilitate crew changes to allow their repatriation home.

Sadly, some Australian States and ports have played their part in making things more difficult than they need to be. Throughout the COVID-19 crisis, SAL has made massive efforts to smooth the wrinkles in conflicting regulations relating to the movement of seafarers internationally and domestically. Helping to make sense of the confusion so that shipping companies, agents and overseas load ports can navigate through the labyrinth of discordant restrictions established in Australia's States and ports, Shipping Australia published a comprehensive web blog listing the chronological changes to rules at the Federal and State (and in some instances port) levels. As regulatory stability improved, this was converted to a COVID-19 information section which provided a synopsis of regulations and links to the source regulations, which apply at the Federal and State levels. The site has received hundreds of thousands of views from all over the world.

In local policy matters, the Victorian State Government's amendment of the Melbourne Port Pricing Order to implement an additional levy on import containers to fund more efficient on-dock rail, was not well received. Don't get me wrong, Shipping Australia's members support on-dock rail, and we support the user-pays principle, but the concept of pay before you use, based on a promise of future efficiency, really irks the shipping industry. We prefer the toll road principle – pay when you receive the benefit. Unfortunately, this 'pay before you use' financing chicanery seems to be the new cancer spreading through many port and terminal infrastructure developments.

Another Victorian policy matter is the Port of Melbourne's application to rebalance their tariff to increase the wharfage fee for import containers carried on large container vessels (those greater than 300 metres in length or 40 metres beam), and provide a deduction to export wharfage. Our members strongly support the need for Port of Melbourne to invest in supporting larger ship visits to the port. However, the facilitation of big ship visits to the Port of Melbourne is not a choice for the port, it is an essential investment to ensure the future of the port, and one that was clearly apparent before the port was privatised. It seems incongruous to now ask the port users to fund the investment which will increase the port's future revenue stream. Why should the port's users pay to rectify the fact that the purchaser of the port did not allow for this investment in their purchase?

In New South Wales, regulatory much effort has been spent on helping members seek exemptions from restrictions on crew changes and access to medical services. Meanwhile the State Committee meetings have continued to address other important and sensitive matters, including double charging of navigation services charges for some ships in Port Jackson and Port Botany, container congestion in Sydney, and delays and backlogs at terminals. These matters have driven a huge workload in terms of liaison efforts, with Transport for New South Wales, and letters to ministers and the Premier. Container congestion and a shortfall of equipment globally has been driven by COVID-19 impacts, particularly blankings, route changes and warehouse closures, but in Sydney it has been compounded many times by weather-influenced port closures, severe industrial action at stevedores, rail upgrades at some terminals, reducing efficiency, and State Government mandated closures of a major empty container park, just at the critical time. This matter has been on top of the agenda at the Minister's Freight and Logistics Advisory Council since June, and SAL participates in a special Empty Container Working Group aimed at improving coordination between lines, stevedores, empty container parks and trucking companies. The discussions between the parties could be described as 'robust' but there has been positive progress, particularly in the raising of container stack levels and rezoning additional space for temporary container storage.

Despite the COVID-19 distraction, Shipping Australia has continued to take the lead on important international trade and policy matters, and delivered significant benefits to carriers and ships' agents. In a real win for our members, the proposed biosecurity levy in all its forms, was finally defeated. 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 defence. Therefore, biosecurity should

be properly funded via national budget appropriations, with all Australians contributing through the taxation system.

Brown marmorated stink bugs are continuing to be a major risk to our industry, particularly break bulk and PCC sectors, though the overseas treatment network is now more mature. Last year's efforts in the development of the "BMSB Voluntary Vessel Scheme" will hopefully ease some of the pinch points this year.

The next major biological risk on the horizon is the Khapra Beetle, and this poses a potential risk to the container sector, as the Department of Agriculture is considering compulsory treatment of all shipping containers under Phase 6 of their strategy, and indicated a timeline of early 2021. Shipping Australia has objected to the proposed timescale. It is imperative for the maintenance of efficient international trade that new or revised measures for treatment of containers themselves (not specifically related to the cargo) are implemented globally and are consistent with the internationally adopted regulatory governance framework and inspection regimes for shipping containers. The Department of Agriculture has not been able to provide any details of the age of containers found to be contaminated, the date of their last container CSC inspection, their ACEP status or the type of insecticide used to treat the container flooring. These are key factors in identifying risk components that need to be investigated before a solution can be contemplated.

It would be unusual to go through a year without talk of coastal shipping, and of course some work has been going on in this area. Shipping Australia made two submissions to different phases of the current review, and also engaged directly with the Department of Infrastructure. Shipping Australia's submission generally recommends a reduction in unnecessary bureaucracy, that where there is no declared Australian flag shipping to protect, the onerous waiting times and cargo limits be waived. Also during the year, the Queensland Government commissioned its own coastal shipping review, with the intent of supporting coastal shipping development in that State.

SAL's communications performance has progressed in leaps and bounds over the past year. The popularity of *Signal,* the SAL website and *LinkedIn* metrics are quite frankly amazing, with users, sessions, pageviews and followers, all up around 300 per cent over the year. Meanwhile, our flagship Shipping Australia Magazine continues to attract positive comment and confirm our position as the most influential shipping industry association on the Australian scene. All of these channels now provide very good value for advertising, and members are given discounted rates and preferential positioning in all modes. Our *Shipping Australia Limited* SAL App provides easy access to SAL Web information, as well as introducing the capability for push messaging, is available on the Apple App store or Google Play.

Our regular readers would already know that this is the last Chief Executive Officer's report that I will write for Shipping Australia Limited, as I hand over to Melwyn Noronha on 31 December. I joined the organisation in January 2013 on a six-month contract, and by a curious confluence of events have been here for just under eight years. I came to the role from a background of hydrographic surveying, navigating and sea command, after 38 years in the Royal Australian Navy but it was a steep learning curve to come to grips with the idiosyncrasies of international commercial maritime trade. I would like to thank successive Chairmen, Ken Fitzpatrick and Scott Henderson, and the SAL Board, particularly Geoff Greenwood, Kevin Clarke and Eddy deClerq for their technical insights and guidance, which enabled me to adapt to this new world.

Shipping Australia's members employ more than 3,000 people here in Australia. They perform a crucial role enabling Australia's vital maritime trade which underpins our economy, bringing the goods that every Australian desires, and taking our exports to foreign markets. I have been privileged to work with so many wonderful people from our close-knit staff, SAL's Policy Council and associate members, suppliers and customers, other industry associations and government regulators. It is the people you meet and relationships that you develop along the way that make work and life worthwhile. The *Catch 22* is that it is those relationships that make it hard to let go, but with Shipping Australia on an even keel and in safe hands the time is right. I wish you all fair winds and following seas in a COVID-19-free world.