Pictured: Clint Evans, chairman of Shipping Australia.

Shipping Australia Chairman's Report

I was privileged to be appointed as a director of Shipping Australia in mid-2021, and then honoured to be asked to step into the Chair-role in early December 2022.

Since then, we have seen an astonishing change in the industry's fortunes. During the COVID-era, we saw unforeseen and unexpected freight rates. That situation has now completely changed, and we are witnessing near-record low freights, with the south-bound box rates a mere fraction of the COVID numbers.

[Editor's note: this article was written before the Houthi attacks on shipping and the subsequent re-routing of vessels that caused freight rates to spike.]

At the time of writing, the dry bulk market time charter equivalent rates in the Handysize, Supramax, and Panamax markets entered a steady downward trend from about mid-Jun(ish) last year and have largely not recovered. The exception is the capesize market is somewhat similar this year compared to last. All of those dry bulk markets are down from the range of dry rates seen in 2017-2021. That said, the lowest level that the dry bulk market ever hit was in early February 2016 when the Baltic Dry Bulk Index hit 290 points. Close to the close of 2023, the Index was at 2,094 points. In 2008, it was 11,973 points.

If we look back long enough in history, we see this boom-and-bust pattern repeating again and again in shipping. So, it's back to business as usual for the shipping industry! The industry will ride out this current cycle, just as it has done in every other cycle in history going back to antiquity.

World trade, particularly world merchandise trade, has slumped in 2023. The annual percentage change in 2021 was 9.6% - which was no doubt COVID-induced – but this year, so far according to the World Economic Forum, world merchandise trade volume growth is an anaemic 0.8%. Apart form the COVID-boom hangover, there have been so many economic exogenous shocks, the biggest of which was the invasion of Ukraine by Russia, the world has experienced a serious supply shock that has generally driven persistently high inflation across the globe.

While we're on the subject of world trade, and Australia's part of it, we were pleased a couple of years ago when the International Maritime Organization (IMO) made a global mandate that all countries would have to have a "Maritime Single Window" – a digital reporting platform that simplifies the exchange of information between industry and government bodies. Benefits include cutting of trading costs, faster clearances, cut vessel time at berth, cut vessel clearance processes, improve government revenue yields, improve compliance, and many more. Shipping Australia held a Maritime Single Window workshop with the Department of Infrastructure earlier this year and has had several briefings from officials on the topic.

The deadline for implementing a Maritime Single Window is 01 January 2024 and the concept itself has been around since 2004. Countries that have a Single Window include, among others, Mauritius, Senegal, and Guatemala. Australian officials have advised that Australia will not meet the deadline.

In December last year, the Productivity Commission handed its final report into the Australian Maritime Logistics System to the Federal Government and, since then, there has been no response. We await further developments.

A major ongoing-but-stalled policy issue is the potential reform of Part X, which gives an exemption for liner shipping from competition law prohibitions on co-operation. Shipping Australia has communicated several times with Australian Consumer and Competition Commission (ACCC) on this topic, and the ACCC has so far indicated that the Federal Government has not yet demonstrated any intent to carry out reform. That, of course, could change. We have yet to see what, if any, impacts will follow from the decision of the European Commission to let the liner shipping block exemption lapse next year. In the interim, Shipping Australia has been working with the World Shipping Council to ensure that relevant elected officials, and public service officials, are fully briefed on the industry's views.

Biosecurity matters have frustrated many in the Pure Car and Truck Carrying sector. During COVID, it appears that car manufacturers continued to produce vehicles – many of which where temporarily stored in the open air. Jump forward in time a few years and, as the global vehicle manufacturing and supply chain system works its way through the backlog, large volumes of imported vehicles with biosecurity risk material were detected. These vehicles have had to be suitably cleaned and this has caused extreme (weeks-long) delays in the main car import terminals at Melbourne, Kembla, Fremantle and Brisbane. There appears to be little public service appetite in Australia to resolve the problem and overseas