Pictured: Australian dollars in notes and coins. Maritime protectionism costs the world a good chunk of its GDP and that translates into billions of dollars lost each year in Australia. Photo credit: Squirrel Photos via Pixabay.

A view from the Bridge

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Geopolitics is the study of economic geography on the politics, power, and policies of nations. Shipping is experiencing geopolitics right now.

Around the world we are facing rising protectionism. We are advocating against this growing trend. We note that other like-minded entities, such as the International Chamber of Shipping and the World Shipping Council, are also doing the same. Here in Australia, our Federal Government is about to embark on a major protectionist *Made in Australia* policy along with the so-called Strategic Fleet, and a revamp of the Coastal Trading Act. These are protectionist policies that have historically failed. Elsewhere, from the U.S. (Biden's "Buy America" Policy) to Bangladesh (which has implemented a "Flag Protection Act" that is allegedly diverting cargo away from international shipping), there is more protectionism.

This is bad news.

A 2019 study by the International Chamber of Shipping found that if governments cut restrictive maritime trade policies then the economy could be boosted by anywhere from 0.3% to 3.4%. That's a lot when, back in 2019, maritime trade was valued at US$14 TRILLION.

In Australia, the benefit was up to about 0.6% of GDP.

Australia's GDP (constant prices; 2019) was about US$D2,057 billion and 0.6% of that would be about USD$12.34 billion. Not a huge amount of cash in any given year… but multiply it as the years go by and, so far, Australia is missing out on just under $62 billion. That's a lot of cash draining down the gurgler because of a stubborn insistence on stupidity. We haven't even started thinking about the loss in terms of opportunity cost or the cost of compounding losses. Protectionism is really awful for any economy and we'll be talking a lot more about this topic in our regular communications.

Turning now to the geopolitical disaster that is the Red Sea, maritime commentator and academic Dr. Sal Mercogliano has argued that the Red Sea is "lost" to shipping. It's hard to disagree with that assessment.

Maritime traffic through the Suez Canal traffic is now down by 4/5ths, according to analysis seen by Shipping Australia.

With innocent seafarers killed or kidnapped, vessels hijacked, and ongoing attacks on ships by drones and missiles – over 65 attacks since mid-November 2023 and late March 2024, it appears that there is no end in sight to this crisis.

There is little that can stop ships and shipping; ships are re-routing around South Africa instead.

Australia is largely not directly affected. Most of our fuel is imported as refined products from Asia, as is much of the crude we import. Most of our dry bulk and box trade is with Asia. Our box trade with the Euro Med region is about 12% of the total TEU volumes; so while that's not nothing, it pales in comparison with the 88% of our box trade to / from elsewhere.

However, Australia is affected by indirect impacts, which are legion and profound.

Shipping diversion around the Cape of Good Hope in South Africa is having extreme shipping effects: containerised freight rates are rocketing owing to a shortage of supply (and that on the back of massive container ship deliveries of recent years); containers themselves have fallen into short supply (leading to an ongoing shortage); the global fleet of idled box ships has practically evaporated – as of late May 2024 there were about 57 idle box ships which is about 0.4% of the world fleet; disruption and diversion has led to vessel bunching (when ships arrive at port together); port congestion has blown out with several days of delay reported at Singapore as at the time of writing, this delay may be at two or three days by the time of publication; schedule reliability has slumped; spot rates, costs, transit times, and delays have rocketed.

Turning to other international matters, and work continues at the IMO to develop the Maritime Autonomous Surface Ship Code. May's Maritime Safety Committee (MSC 108) saw a revision of the roadmap for MASS Code development as it is considered that more work is required to finalise the Code. The revised roadmap sets May 2025 for the finalisation and adoption of the non-mandatory MASS Code, followed by the development of the mandatory MASS Code in 2028 based on the non-mandatory Code. The timeline aims for the adoption of the mandatory MASS Code on July 1, 2030, with its entry into force on January 1, 2032. Shipping Australia provided input on the draft Code for the MSC 108 session.

Biofouling - the buildup of plants, algae, and small animals on the wetted areas of a ship – continues to concern. Biofouling is a way for invasive species to, well, invade. Invasive aliens have cost the global economy at least USD$345 billion (2017 dollars) since 1972 – and that's most definitely an under-estimate. Biofouling can cause local extinctions, alter habitat, damage commercial fishing and aqua-culture, damage tourism, spread disease, damage natural and artificial infrastructure (e.g. riverbanks, water inlets etc), the list of harm goes on. The IMO updated its Biofouling Guidelines in 2023, and the Australian Federal Government has updated domestic law. Australia's Department of Agriculture is in the 'enforcement' phase of its new biofouling regulations. Global freighters are opting for overseas cleaning before arriving in Australia. Non-freight commercial vessels trading regionally are finding it difficult to comply and there is industry concern over a lack of certainty in the rules.

Talking about a foul drag on performance, the waterfront was beset by industrial relations matters. Again. This time it was the turn of DP World Australia to be hit by wave after wave of industrial action. The terminal operator reported that, between October 2023 and January 2024, the dispute had cost the economy somewhere about AUD$1.34 billion. That's AUD$84m of losses to the Australian economy every week! With that kind of damage, you would have thought that our government leaders would be scrambling over themselves to sort it out, right? Er. No. Wrong. Our government leaders at the State and Federal level were in fact notable for their absence and their absence of leadership. Both the Federal Workplace Minister and the relevant State Ministers all had an appropriate power to kick the whole dispute over to the Fair Work Commission and to get it ended. Mostly, they ignored calls to intervene. The damaging strikes came to an end after an agreement was reached with more harm done than was necessary.

Performance, or lack thereof, of the port-related kind came to the fore recently with the fourth iteration of the World Bank's Container Port Performance Index. The report draws on the world's largest port performance database with data gathered from just under 8,000 real-life data collectors. That data is then analysed and processed by world-leading transport economists and two different methodologies are used to produce two sets of tables. Despite the criticism of some parties that seem determined to exonerate the poor performance of our ports no matter what, if two separate methodologies, devised and implemented by world-leading transport economists, working for / with a globally renowned institution, using data from the world's best database, rank the performance of Australian ports badly for four consecutive years then, we'd suggest, any problems are probably not found within the pages of the report.

Shipping Australia believes that the marine side of port performance measures, such as total ship turnaround time, ought to be considered in all future government freight policies. There should also be more oversight and tighter control over port pricing – this is justified both because our ports are so important to our national economy and also because our ports are regional monopolies so the market does not provide an effective constraint in this sector. Any annual port pricing or increases ought to be linked to port performance as benchmarked against international port performance.

This poor productivity on the waterfront induces a range of adverse consequences. It causes delay to ships. Time is money, as the old cliché says, and nowhere is that more true than in the shipping sector

Pictured: vessels at Brotherson Dock, Port Botany in New South Wales. Container port performance is again under the microscope following the release of the World Bank's latest iteration of its global port performance report. Photo Credit: Shipping Australia.

where ship delays can cost tens of dollars to hundreds of dollars per minute.

Uncompetitive ports will likely push up supply chain costs and, as a general point of economic theory, there will probably be businesses out there that would like to export, but don't, because their supply chain costs would be too high.

Poor port performance means that customers such as shipping companies, trucking companies, importers, exporters, shippers, and consignees don't get the best value for money. That creates a poor reflection on Australia's business reputation and we have certainly been told that Australia isn't the best place to trade.

Accordingly, Shipping Australia believes and asserts that the various state and federal reviews of freight policies and strategies should include a strategic examination and analysis of Australia's poor port performance to find out why it is so poor compared to international container ports.

Moving on, and the Federal Government continued with its so-called Strategic Fleet policy. With our industry partners, we have criticised the consultation process and general lack of transparency as the consultation was, at best, not in alignment with the Federal Government's own best practice guides and does not reach the standards achieved in other areas of policy consultation. On a related note, we made a submission in respect of the Industry Skills Australia Maritime Industry 2024 Workforce Plan (the committee of which, incidentally, is heavily comprised of Strategic Fleet policy proponents and maritime union officials) arguing that it is vital that Australian seafarer skills and qualifications continue to meet the standards as set out in the Standards of Training, Certification, and Watchkeeping Convention, to ensure that high quality standards are maintained so as to preserve the safety of life at sea and to preserve the marine environment. We also challenged the Draft Workforce Plan, arguing it is fundamentally flawed and takes no account of the findings of the Productivity Commission's independent and disinterested analysis that a national fleet is not necessary to address any alleged seafarer shortages.

On the regulatory front, Shipping Australia has been active on Marine Order 32 (Stevedoring Code of Practice) which addresses cargo handling aboard vessels. We have developed support for, and have begun work on, developing a pictorial guide and educational tool of how ships can best comply with Marine Order 32. The aim is to make it easy (or easier) for ships to comply so that they become less likely to be detained or delayed for Marine Order 32 reasons in Australia.

We are also working with the Australian Maritime Safety Authority to address the challenges of complying with verified gross mass rules. The consensus belief is that supply chain complexities mean that the best chance of influencing better outcomes lies in bringing together all stakeholders who have concerns about inaccurately-declared container weights.

We have also been approached by the Office of Supply Chain Responsibility, a body that is charged with helping co-ordination across the domestic supply chain and which reports to the National Cabinet. Shipping Australia is pleased to give regular updates to the Office and we have had several productive meetings. We believe that the Office could play a much more vital and important role and believe it should be empowered with legislation to help keep the supply chain moving.

We are also pleased to report that we are continuing on our ongoing journey toward better diversity, equity and inclusion within the maritime industry. We support a not-for-profit charity that is restoring and maintaining a heritage museum and training ship that is focused on creating seafarer training and employment pathways for indigenous Australians. We have also joined the Women's International Trading & Shipping Association (WISTA) Australia, the local arm of the globe-spanning network of more than 5,100 female professionals across the maritime industries. We have been working with WISTA Australia, and strengthening our partnership, as part of our efforts to help create a maritime industry in Australia that is fair and equitable for all participants.

As ever, it has been an interesting, challenging, and busy half year. Shipping Australia will continue to fight for the interests of the Australian people, for the interests of ocean shipping, for free trade, and for minimal government intervention in shipping, as these deliver the essential goods of life, and better standards of living, both to Australians and to all the peoples of the world.