

Challenges Australia faces in the Development
of our International Trades

Good Morning,

Australian means of or relating to Australia or a person born and living in Australia.

Shipping means the action or business of sending goods by ship, rail road or shipping taken as a whole .

le the harbor was crowded with shipping.

International means between or among nations .

Mind you another word "shipped" has also bought another meaning into the vocabulary (and not as we normally know as "shipped on board" ie the goods have been placed on board a vessel) but with the local Prison Officers Vocational Branch stepping up to the mark and recently advising that many prisoners were being "shipped"around NSW every 72 hours to stop them showing up as being officially held in temporary accommodation for excessive periods.(the mind boggles as to how they are being shipped and under what conditions)- talk about shades of our convict past.

However returning to my topic today you may well quite properly ask why am I taking time to define Australian Shipping and that is a fair question let alone what does it have to do with the title of my speech.

The challenge I have is defining what are those Challenges facing Australia in the development of our International Trades.

For example not so long ago our Federal Transport Minister announced a small advisory group to investigate and report upon initiatives to promote an Australian Shipping Industry-we assume for both local and International Trades.

However this group is select and in my view narrow in approach .As we have subsequently learnt being "Australian" in the context of Australian shipping only encompasses owners or operators of vessels registered in Australia and thus anybody else relating to or having an involvement in the Australian maritime industry appears to be excluded from being a participant despite them being of "or relating to Australia".

It also ignores the fact that in excess of two thousand Australian employees of members I represent are engaged in the Australian Maritime industry .

As an aside my own Company Hetherington Kingsbury is a proud Australian Shipping Company and I use that word deliberately given we were in the past shipowners employing many Australian Seafarers.On top of that one of the founders Mr Ray Hetherington (prior to the formation of HK's) was in fact Director of Shipping (for the Australian Government) and actually recommended construction of large specialised ships for the Australian Coastal Trades .This was eventually formed under Sir John Williams and became better known as the A.N.Line (or as we know today ANL)

Yet if you look at the group chosen by the Minister and then scratch underneath the surface you will find in the main most have a foreign base and thus fall into the group "of or relating to Australia".

Yet here they are being dressed up as Australian Shipowners.

What a mixed web has been woven and whilst we await with interest the outcome of deliberations I would pose the question that if as we understand a training levy is to be introduced to encourage the growth and development of an Australian Shipping revival why (if that is the case) should foreign shipowners be levied in the process.In my frank assessment any such levy should be borne by those that will benefit ie port authorities,towage and pilotage providers, and existing companies that have registered Australian Vessels (and that encompasses all vessels registered in Australia)

It is also worth commenting that if the Government is of a mind to recommend a greater International presence for Australian Shipping (ie Australian Flagged and manned) what sort of financial support does it consider necessary to make it viable given the substantial investments required.

As we all well know there is no room now in the International Shipping Stage for middle rank players
Particularly in the container trades where big players abound (and US \$billions required) or niche market where some of the smaller players eke out a business.

Additionally if the Government was to take the view that a certain percentage of cargoes emanating from Australia ie Iron Ore ,Coals etc should be preserved for Australian bottoms only (thus justifying any investments)what then the repercussions of the World generally and /or like minded industries who would claim they are being overlooked in the transport chain ?

Strike One for the First challenge that Australia faces in the development of our international trades.

I earlier mentioned "rail" as a definition and recently we saw the Head of ARTC (Australian Rail Track Authority) musing over the fact as to whether the ARTC's mandate should be altered from profit-making to maximizing freight on rail and this to be done at almost any cost.

The ultimate aim in his view being to utilizing rail infrastructure as efficiently as possible, plus recommendations to rationalize the number of operators given the concern capital investment would otherwise suffer and as a consequence lower investment in modern rolling stock, locomotives, and technology . He also feared that without the will of government to improve various corridors and rail systems slippage from rail to road would occur and as an example (particularly in the Eastern States) had a normal grain harvest taken place farmers would struggle to get export produce to the ports.

How many of you are aware that the average age of locomotives in Australia is 34.5 years whereas in the US the average age is eight years .What impact does this have on our reliance upon rail to move our grains, coal, containers , and other mineral cargoes to and from the ports .

Certainly from an SAL point of view we included the important issue of rail in our submission to Infrastructure Australia

Strike two for rail impact on the development of Australia's international trade.

As an analogy if you had a clapped out FJ Holden (and lets not be distracted by the collectors amongst us)and with the wonders of the financial wizardry we have seen in the World (and yes we have also seen the outcome of some of those results)that clapped out FJ would see its value increase from a dollar to some magnificent figure one could only dream of ;yet this in fact is what has been happening in our ports , and also with some service providers .

Land , Buildings ,Plant etc has all been revalued, and/or port land rezoned to light and heavy industrial with the concept of port zoned land gone for ever.

Why ? Simply put ; so a higher return on assets can be achieved and the shareholder (in the main the respective State governments) kept happy.

To the shipping industry this is difficult to understand because nobody outside the port itself can be handling cargo on or off a vessel . One would have thought the economic multiplier effects from such activity on the local and national economies would be sufficient to give Governments pause for thought before they tend to price themselves out of the market and certainly not assist in Australia becoming or staying internationally competitive .

Additionally given the recent economic malaise one must ask the question have these assets been reappraised in the light of the general downturn. I suspect not given the recent overtures by members of SAL to various ports seeking financial relief but all I can say is The Sheriff of Nottingham never had it so good and if poor old Robin Hood turned up he would probably be arrested by Graeme Samuel and his Merry Men from the ACCC and be accused of contravening some obscure part of The Trade Practices Act whereas in reality the boot should be on the other foot.

Perhaps as an aside I am being a little unkind to my friends from the Port Authorities here today particularly given when you reflect that in 1981 one Neville Wran the then Premier of NSW introduced a levy of \$10 million on the Maritime Services Board which resulted in a notable increase in NSW Port Charges.

I rest my case .

However we should not forget our Border Agencies (and only good manners stop me from naming and shaming here today)but these are nearly all cost recovered organisations. Whilst Governments have withdrawn some of their financial resources there has been a tendency to ask industry to fulfil the gap which, in effect is required by Government policy. If the Government is promoting jobs in this downturn, this is certainly not the way to go about it

Strike Three for unrealistic port and service provider pricing and consequential impact on Australia's international trades.

In December 2004 when I was first elected as Chairman of Shipping Australia I outlined many of the issues I saw of concern that impacted on Australia and the Development of its International Shipping Trades.

As many of you are aware I have consistently in the intervening years touched again and again on those issues and whilst some of those concerns I had at the time have come to pass others are still a work in progress and we hope in the fullness of time they will be eventually realized.

However the fundamental issue and main concern in my view was the need for the Federal Government to establish and set up a national body (in simple terms a Super Bureau) to examine where roads, rail and shipping needed to be in the year 2020. That is to evaluate those needs and get on with the job of nation building (or as the commentator Peter Ruhl recently described it "Nation Repairing") and prepare Australia for the future.

Sadly some five years have gone by and what do we have today but an organisation established by our new Government (although not so new now) grandly called Infrastructure Australia and what did we see; nothing more than a clarion call to the various state governments and Industry to put forward a wish list for Infrastructure projects which could be considered.

The rush was as one would suspect and the value of the wish lists mightily outweighing the total sum of the funds readily available and going well beyond what I would call nation building projects and building for the future. (Let alone the question what did the states do with all the money previously generated from GST and other tax receipts and in fact in many cases they should have already been addressing the issues they now seek a handout for).

The Budget announcements are now well known; but was it enough?

We have all seen the results of not being prepared in the last boom and despite our present predicament why not just get on with it once and for all; make the hard decisions, implement them now; thus enabling a vibrant and forward process in the ongoing development of our International Trades.

All of us here today can think of at least one project that needs to be implemented or upgraded.

For too long Australia and its national interests have suffered the mediocrity of others whilst the ball has been thrown to and fro and hard decisions avoided yet dressed up in flim flam to suggest that in fact action is being taken yet in reality disappearing into the sands of time. In saying this I do take note that Infrastructure Australia has now (finally) proposed to develop a new port strategy.

I live in hope that once they have determined its priorities and make its recommendation to Government that the Government does not sit on its hands and /or use the upcoming elections in 2010 as an excuse to choose only those projects it believes will curry some more votes in its favour or use the old excuse of asking for one more term to implement those changes.

They came into Government with a plan to change and yet nearly two and a half years later what do we have to show .

The Chairman of the Zeeland Port Promotion Council neatly summed it up when he recently stated

“Challenging times demand brave and decisive leadership and the rewards are for those who will seize the opportunities in order to create a better future”

Strike Four for lack of proper Government action and initiatives to improve the necessary infrastructure tools for the ongoing development of Australia’s international trades.

How many times do we see the happy snaps in the papers or cheerful smiling faces and lithe bodies as they cavort around the decks of a sun drenched passenger/cruise ship and always under the tropical sun.

However what is the other side of the story.

Yes indeed we have a serious problem with lack of adequate passenger cruise terminals in Australia and delegates may well be aware of the debate in Sydney about relocating the current terminal at Barangaroo as well as developing another terminal East of the Harbor Bridge ;let alone the announcement of another Committee to look at the future of the Cruiseship Industry and planning for suitable infrastructure

We have have also seen problems in Melbourne, Brisbane and Adelaide with cruise vessels and given the growing influence of this trade it is vitally important the passenger/cruise industry is well catered for.

We all appreciate that the cruise/passenger trade is seasonal and utilization at terminals thus becomes low at certain times of the year . However the Industry is not alone with this issue and you only have to consider sugar, grains and other like cargoes that are seasonal and terminals remain vacant during those “off season “ periods.

But against this we have seen an increasing number of home porters gradually being introduced into Australian waters which in turn sees a corresponding increase in utilization of those facilities and it is to be hoped a greater reception from those ports and states which will be the beneficiary of the trade and income that naturally flows as a consequence.

Other issues in the development of cruise terminals include the vital matter of satisfying security concerns and as well the need to meet Customs, Quarantine and Immigration requirements.

All of these areas we at SAL and our respective members who count amongst two of the largest cruise companies in the world are working on.

Strike five for a greater understanding and appreciation of what the cruise and passenger industry can offer in the development of our international trades.

Turning to the impact of an over-regulatory zeal in Australia. There are a myriad of issues which compound on our international competitiveness but one that really stood out recently was the stance of the ACCC and in particular the way they treated our respective coal export ports and the resultant queues of vessels we saw in many different ways.

Whether a practicable and workable solution is desirable according to law is one issue but for those that wished to see vessels turned around and sent upon their way is another. I know it is in everyone's interest to keep the vessels moving but the last thing we need is governments and semi quasi government organizations dilly dallying over the decision making process; particularly given when reports have been commissioned only to see them sit and sit on a Minister's desk before a decision is made.

We then saw the curious demands of Newcastle Ports Corporation where they sought to shift the queue to some staging post stretched across the world's oceans and completely ignoring the contractual obligations that those parties central to the case had entered into.

More recently we saw the cry for de-regulation in the wheat industry and guess what; the majority of grain ports now have queues and more costs to the customers as vessels bank up awaiting berths.

If I can perhaps indulge

"We spent thirty six days crossing to Bunbury, a tiny infant town with no trams, nor buses but an astounding trade in jarrah wood. Indeed its trade seemed to have outstripped its facilities for its long

straight jetty running out into the sea was crowded with ships loading while others waited their turn to load.

When was this -1910

In late 1880's early 1900's "I was able to pilot all my own vessels into Sydney and Newcastle for I held the Australian Pilots Certificate "not a steamship but a sailing ship".Imagine the skill levels to not only proceed up the harbor but to berth in the port amongst a fleet of other like minded craft.

My question; what have we learnt and what has really happened in the intervening years ..Not really too much if we reflect upon a generation or so before as the same issues still abound and if anything more tighter restrictions imposed today.

Strike six for regulatory tightening processes and restricting the development of our international trades .

I have not touched on the issues of containerization as many of the areas have been well aired by others in the press as current issues impact on the trades.

But in a salutary comment relating to my earlier thoughts it is worth reflecting upon the issues affecting Los Angeles as the port feels the strain of container lines containing costs.As noted in recent articles Lines are commencing (or have already) started to leave that port as they move to more competitive ports .

One of the reasons quoted was the issue of new regulations such as tougher environmental restrictions that whilst making the port more fuel efficient has added additional costs making it more vulnerable to losing market share of US bound goods.

Other ports have been rolling out new infrastructure to secure that slippage.

Strike 7 Ports to be wary in the time ahead that they do not stifle growth or lose market share in the development of international trades.

Increasingly in Australia lack of effective IT systems to underpin improved business process will hamper our ability to create more productive and efficient supply chains.SAL has been trialling with Tradegate a new PortBis system in Sydney which hopefully will evolve into an effective port community data base system.The proposal is based on the Felixstowe system in the UK but adapted to Australian conditions.

We are also liaising closely with Freight Connect in Victoria and the longer term objective is a standardised

system at least in our main capital city ports.

Strike eight

Industry not fully supporting the application of community database systems in ports which will benefit the development of our international trades.

You will read in the media of the need to expand the use of existing and develop new intermodal terminals to avoid congestion in our main container ports when volumes return to more “normal” levels. One of the issues that really needs to be addressed in the not too distant future is how to encourage use of these new or expanded facilities. A “build it and they will come” approach is unlikely to succeed. Again there is an urgent need for close consultation with the Industry

Strike 9; The need for an holistic approach to the development and utilisation of intermodal terminals which will enhance our overall development of international trades.

Finally :are we really ready to engage with meeting the future demands for shipping?.how can we more readily embrace the need to cater for the planned rapid growth in LNG shipments for example.

Will our Industry be ready to cope with the planned expansion of our coal exports despite the introduction of an emissions trading scheme. The ever increasing size of vessels all pose challenges and must be factored into our forecasts.

Strike Ten inadequate preparation to meet future challenges and the development of our international trades

In baseball we have three strikes and you are out. So far I have reflected upon at least ten strikes and whilst not completely out certainly issues to exercise the mind and reflect upon thus ensuring Australia remains competitive and reactive to the development of our International Trades.

Overall one of our biggest challenges in the present economic downturn (and indeed also going forward) is for Government generally to ensure they closely consult and engage industry in the early preparation of new proposals. I certainly take no great pleasure in publicly criticizing issues and bodies when through a consultative and engaged process many of these problems may be able to be resolved.

In my frank view and also in SAL's case genuine consultation means that all parties find solutions in the knowledge of the pressures faced by that other party and industry recognizes that government departments and agencies have to operate within the policy and legislative environment developed by government. Equally government should acknowledge the important role Industry can play in terms of both economic development and employment creation.

Close collaboration and coordination can only be for the good but this poses for industry as mentioned above the need to be much more articulate and coordinated in their response to governments so that a clearly defined way forward can be developed to mutual benefit.

Ladies and gentlemen thanks you for your time.