Lloyd's List Australia
The Daily Commercial News

Published by:

informa

Australia Pty Ltd

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Printed by Spot Press, Marrickville NSW 2204

Editorial

Clearing the air in shipping's politics

POLITICS is often about the art of the compromise. But sometimes, there can be no compromise. Safety and technical matters in shipping are two of those areas where compromise for political purposes is absolutely, and utterly wrong.

There can be no concession to politics over the hard-won technical expertise offered by engineers and scientists. There can be no compromise on safety.

And so we at *Lloyd's List Australia* strongly applaud the message of the secretary-general, Koji-Sekimizu, who declared at the Spillcon event in Cairns that in relation to safety: "IMO will demand that we should govern, develop and decide."

Mr Sekimizu was talking of the debate surrounding the tricky subject of climate change and what to do to prevent and mitigate the emission of greenhouse gases.

A quick aside – there are some who believe, contrary to masses of evidence and the scientific consensus – that man-made climate change is a myth and that the debate on its existence is still open.

With respect, that particular trial is over, the jury is back and the judge has given his verdict. Climate change is real, it is man-made and it is happening now.

What remains to debate is what to do about the vexed issue. And, unfortunately, there are many whose ideology or belief systems govern their approach as to what must be done to address climate change.

And, alas, this is where the world of politics, technical expertise and safety can collide. And it is why Mr Sekimizu took such a strong stance in Cairns.

Politics has, to use the secretary-general's word, "invaded" the IMO.

The key clashing political concepts here are the "common but differentiated responsibility" and the principle of equality and non-discrimination.

The common but differentiated responsibility concept is found in various UN documents and entities. It has emerged as a cornerstone philosophy of the approach to international environmental damage prevention, management and remediation.

It means that all countries on earth share common environmental resources and interests in a sustainable environment (such as air free from greenhouse gases).

However, the philosophy holds, owing to different historical, social, financial and technological variations between countries, each has a different responsibility to help to relieve the problem.

Which makes sense as it is unreasonable to expect a country like Samoa to give the same level of attention to climate change as Australia, given their differing populations, contribution to the problem and financial resources.

But, at the IMO – a UN agency set up to manage the high seas – the prevailing principle of non-discrimination between nations is found in the very first article of its constitution.

These two, quite sound and correct, principles contradict each other. For instance, suggestions that shipping pays into a climate change fund immediately run into this political contradiction. Rules that ships from wealthier more polluting nations (like Australia) should pay more under the common but differentiated responsibility would be in breach of the IMO principle of non-discrimination.


Photo: Shutterstock

That's a big problem both for flag-states with high volumes of tonnage and for those who would tax shipping. Under articles 87 and 90 of the UN Convention on the Law of the Sea, all countries have the right to have their ships flying their flag on the high seas.

Which means that shipping jurisdictions imposing a climate change levy on their flagged ships, will watch their registers suddenly and immediately empty-out.

Owners and operators would deregister their ships only to re-register in jurisdictions that do not charge the levy.

That is a good example of how politics and the technical and operational world of shipping can collide. And it hardly needs to be said that the national delegations from each member state e.g. India, China, US, Australia – follow and vote for their own narrow politicking purposes.

And that precedent is why secretary-general Sekimizu is concerned that the climate change debate may infect the technical debates of shipping and safety. For if politics can dictate the climate change debate in favour of national interests, then why not the technical/safety debate too?

And that's why we applaud Mr Sekimizu for his strong stance. For it seems he clearly understands the PEC-ing order.

People and their safety first. Environmental cleanliness second. Company property third. Politicking last. Always.

Industry opinion

Port privatisation: selling the crown jewels?

Peter van Duyn*

PORT BOTANY and Port Kembla were recently sold for more than $5bn (eclipsing the expected price of $3-4bn) to a consortium of super and infrastructure funds.

The sale provides net proceeds of $4bn for the NSW Treasury coffers after outstanding debt is repaid.

It begs the question of whether we are selling off vital assets for short-term financial gain and political expediency or whether it is a commercially-sound decision.

Funding new infrastructure or selling existing infrastructure to private equity and super funds seems to be the 'new black'.

While this is generally a good thing and should assist Australian governments (state and Federal) with funding the necessary infrastructure projects that are so desperately needed, it should not lead to 'a one policy fits all' approach and include the sell-off of prized assets such as capital city general cargo ports.

Until recently, only some of the smaller ports, such as Portland, Geelong and Adelaide, had been privatised.

In 2010 the first major capital city general cargo port, the port of Brisbane, was sold to a private consortium (on a 99-year lease) for $2.1bn (at the lower end of the expected price) by a Queensland government desperately in need of cash.

The Port Botany/Port Kembla deal is 25-times annual earnings according to NSW treasurer Baird.

This seems to be at the high end of the scale and you have to ask yourself, if it is such a good business why would you sell it?

Private ports are not a new phenomenon and a large number of bulk ports in Australia are privately built and owned – usually by the end user such as mining companies.

Port privatisation took place in the UK many years ago, but according to Professor Alfred Baird from the Transport Research Institute, Edinburgh Napier University it has not always been a success.

Professor Baird stated that since the privatisation of UK ports, investment in port infrastructure has slowed, which has led to UK ports losing trade to continental rivals and shipping consortia switching vessel routing to European ports such as Rotterdam and Hamburg.

Once the shipping lines leave, it is difficult to get them back, as importers and exporters adjust their supply chains to adapt to the new situation.

In some cases the privatisation was not financially successful and ports were on-sold to new owners for a lower price.

A private port owner is meant to maximise the profits for shareholders and 'sweat the assets' whilst a publicly-owned port has the capacity (and some commentators say duty) to stimulate regional development by investing in port infrastructure.

This might not have an immediate benefit to the port's bottom line but will benefit its public owners (usually the state) in general, by creating additional economic activity.

For example, the recent channel deepening in Port Phillip Bay (which cost $750m) will not necessarily bring more containers to the port of Melbourne initially, but will enable larger vessels to enter the port.

That will lower the unit cost of shipping containers and will ultimately lead to the port (and the state of Victoria) having a more competitive position in the market place.

Sydney Ports Corporation spent $600m on the development of additional container berths at Port Botany which increased the port's capacity by more than a third.

These development costs were offset by the sale of wharves and prime Sydney Harbour land at Darling Harbour (Barangaroo) to real estate developers.

Would a private port owner have invested this sort of money without the capacity to offset these costs?

Now that Port Botany has fetched such a high price, the mandarins in Victoria's Treasury Department will no doubt be doing their sums on the possible sale of the port of Melbourne.

Let's hope they are able to resist the temptation for a quick buck and realise that a port is a vital asset to the national economy and it is dangerous to leave them entirely to market forces.

Peter van Duyn is a maritime logistics expert at the Institute for Supply and Logistics at Victoria University.

Lloyd's List international

Sliding yen

THERE is an audible sigh of relief in the Japanese shipbuilding community.

The central bank's easing policy has led to a slide in the yen's value against the US dollar, which hit a 30-year low in March.

That means that, at least temporarily, Japan's long-suffering shipowners can counterbalance lower costs of materials sourced locally and enjoy greater pricing power when bringing in customers to build, what is generally accepted, ships that boast among the highest quality in the world.

Owners with cash are looking to replace older dry bulk ships, in one example, with better designed, lower fuel-burning models.

Flexibility with prices from Japan's yards, with a little help from export-import finance, affords these owners a good new option.

But, as with all monetary easing, risk comes with the package.

Bank of Japan governor Haruhiko Kuroda and finance minister Taro Aso are expected to defend the government's policy at the current G20meeting, explaining how it does not conflict with a pledge made by the G20 nations to not engage in competitive devaluation.

The International Monetary Fund warned that aggressive easing could lead to bubbles and perhaps an era of chronic economic crises, of the type we are still recovering from post 2008.

For that matter, Japan is still recovering from the 1990s.

The message underlying all this, is that the weak yen will not last forever and that Japanese yards will have to maintain their vigilance on controlling costs even in the good times.

Testing the water

NEWS that *Vale Malaysia,* the 400,000 dwt valemax very large ore carrier, may have tweaked its capacity to enter a Chinese port this week should be seen as a just milestone in the long-playing cat-and-mouse saga over the giant ships.

This is the second time that a valemax has entered a Chinese port.

The 388,000 dwt *Berge Everest* berthed in China shortly before the government issued a ban, based on safety reasons, against the class of VLOCs early last year.

Sources say that the ship's owner, a Vale shipping subsidiary, reported the tonnage of the vessel as 299,000 dwt as it entered Lianyungang port earlier this week.

China's transport ministry has banned entry for vessels of 350,000 dwt or over.

Last year, China's National Development and Reform Commission gave the green light to the Ningbo-Zhoushan port complex to construct two iron ore berths capable of receiving 400,000 dwt vessels.

In March, a 300,000 dwt-400,000 dwt ore terminal in Dongjiakou, Qingdao port, was approved after inspection by the transport ministry.

It would seem that the government is not quite clear internally whether it wants to persist with the ban.

Vale, if it did adjust the capacity on paper, can be forgiven for testing the waters.

As one industry insider told *Lloyd's List*: "The safety approval overturned the ban, the exact excuse for which is safety.

Politically speaking, there is no obstacle anymore."