

Disruption expected as new box weighing rules loom

On July 1 this year new regulations will come into force where each container loaded onto a ship engaged in an international voyage must have a declared Verified Gross Mass (VGM), writes PETER VAN DUYN*

THESE regulations will be introduced worldwide and are predicted to cause major headaches for shippers and other stakeholders in the container supply chain, with a large number of countries not ready to implement the changes.

In order to bring long-needed improvements to container safety the International Maritime Organization (IMO's) Maritime Safety Committee introduced amendments to the International Convention on Safety of Lives at Sea (SOLAS).

These changes were brought about in response to a number of accidents on vessels with overloaded containers that caused or contributed to loss of life or loss of vessel.

Prime examples were the grounding of the MSC Napoli in the English Channel in 2007 due to structural failure, where 20% of 660 checked containers were found to be more than



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three tonnes different from their declared weight, and the sinking of the MOL Comfort in the Indian Ocean in 2013.

The IMO, which has 170 member states, started work on the development of measures to prevent loss of containers in 2011 and in January 2015 the new guidelines were approved and adopted.

Member states were consulted extensively during this process and on July 1, 2016 these guidelines will become law. The container shipper will be responsible for providing the VGM.

There are two approved methods of calculating the VGM; either weighing the packed container, or weighing all the packages and cargo items, including pallets and dunnage, and adding the tare mass of the container to get the total weight.

In Australia these new guidelines will be implemented by the Australian Maritime Safety Authority (AMSA),

which has published a revised draft of Marine Order 42 (Cargoes, stowage and securing of cargoes and containers) and has asked for comments from the industry.

Currently containers shipped on international voyages arrive at the container terminals with an electronic Pre Receipt Advice (PRA) notice stating the declared weight.

A new PRA electronic format has been developed in which the shipper provides the VGM, stating which method was used to determine the weight and signs this off as being correct.

This data needs to be completed and transmitted to the container terminal before the arrival of the container and is subsequently communicated to the master (or his/her representative) of the vessel on which the container is to be loaded.

AMSA is still deciding on the acceptable limits of accuracy for the VGM calculation

and how they intend to police the new regulations, including penalties applicable for non-compliance.

They have stated that the accuracy of the weighing device needs to comply with National Measurement Institute standards. Vessels used in coastal services such as the Bass Strait service are exempt from the new regulations.

A straw poll of container terminal operators in Australia – Patrick, DP World and Hutchinson Ports Australia, has confirmed that if the container does not have a VGM on the PRA it will not be received into the terminal for loading.

They have also indicated that they will not provide any facility for weighing containers at their terminals.

Flinders Adelaide Container Terminal is still reviewing its position and the new entrant, Victoria International Container Terminal, scheduled to commence operations later this

year at Webb Dock, Melbourne, has indicated it might be willing to provide a weighing service.

A number of international terminal operators across the globe, including DP World, and APM Terminals have said they will be providing a weighing service at a number of their facilities.

Internationally, the picture is somewhat different and was described at the recently held International Cargo Handling Coordination Association (ICHCA) International conference in Barcelona, where this subject was a hot topic, as chaotic.

There are fears that global supply chains will come to a halt as a large number of jurisdictions are not ready to implement the new rules.

In Rotterdam a large Dutch freight forwarder test-weighed a number of export containers and found discrepancies of as much as 14%.

The Port of Rotterdam processes 10,000 export containers per week and has

only five weighbridges.

A quick calculation shows that if every container was to be weighed, each weighbridge would have to handle 12 containers per hour in an around-the-clock operation.

There has also been push back from large shipper's associations, such as the Agricultural Transportation Coalition in the USA, who said that it had not been consulted.

The US Coast Guard, which has jurisdiction over the loading of containers on vessels in US ports, has also clouded the matter by issuing contradictory statements. However, IMO Secretary-General Kitack Lim, who was at the Barcelona conference, issued a warning to all member states saying that they were all consulted and not one objection was received during the prescribed period for submissions.

In Australia information sessions will be held in most capital cities in the coming weeks to provide further clarity for shippers and other stakeholders in the container supply chain.

A number of organisations, such as AMSA, Container Transport Alliance Australia (CTAA), the Australian Peak Shippers Association (APSA), the Freight & Trade Alliance (FTA), 1-Stop Connections and ICHCA Australia will provide information at these sessions to ensure a smooth transition to the new regulations.

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Strong interest expected in Port of Melbourne lease

The private sector is keen, but scrutiny of foreign investment may yet prove a tough hurdle to jump, reports DAVID SEXTON

AN INTRIGUING month lies ahead in the Port of Melbourne lease process, with the state government confirming an April 18 deadline for expressions of interest.

This follows the recent passage of the *Delivering Victorian Infrastructure (Port of Melbourne lease) 2015* bill through the state parliament.

In a recent statement, state Treasurer Tim Pallas said he expected a leaseholder to be chosen before the end of the year.

"We're moving to market quickly because of the strong bidder interest in the Port of Melbourne and we're confident the lease will deliver significant, long-term economic benefit to Victorians," he said.

Some lease proceeds are expected to be directed to the removal of 50 train level crossings around greater Melbourne with Mr Pallas saying the government was "getting on with the leasing of the Port of Melbourne and using the proceeds to build key

infrastructure across the state and create jobs".

"The lease will make our port even better, increasing efficiencies and competitiveness," he said.

Figures of a lease figure of anywhere between \$5bn and \$7bn have been bandied about and Drewry Shipping port economist David Bayne told *Lloyd's List Australia* the market for leases was "extremely attractive".

"For example, in the privatisation of PNG (Ports), we had over 13 respondents of which six were major international players.

"The Chinese have been aggressive bidders in Indonesia and recently bought the Greek port of Piraeus for a multiple of 30 times earnings," he said.

"The demand is coming not only from China but enquiries are already being made by Canada, the Middle East and other pension funds including the usual Australian players."

Mr Bayne said there were few investment opportunities with the characteristics of stability, almost guaranteed cash flow and significant barriers to entry.

"This is particularly attractive to pension and state-owned sovereign funds.

"To quote Warren Buffett 'boring companies with a wide moat'

and landlord port leases fit this bill."

Mr Bayne said low interest rates being charged in other developed countries only made port investment more attractive.

Regulation

"Japan, Denmark and Sweden already have negative interest rates and Canada bank rate is 0.5% as is the USA. This low cost money reinforces the attractiveness of the proposition."

But an intriguing aside is the national security element, with the federal government expected to scrutinise any deal heavily, especially after it was criticised in some quarters for approving the Port of Darwin lease by a Chinese entity.

Federal Treasurer Scott Morrison recently announced the government had secured state and territory support to change the Foreign Acquisitions and Takeovers Regulation, so for the first time the Foreign Investment Review Board (FIRB) would assess the sale of critical state-owned infrastructure assets to private foreign investors.

"While we welcome foreign investment in Australia it is imperative that critical infrastructure sales are scrutinised to ensure any potential national security risks can be addressed," Mr Morrison said.

"These new measures reflect the

Turnbull Government's policy to be open, transparent and sovereign in foreign investment decisions."

From March 31, the FIRB is to formally review critical infrastructure assets sold by state and territory governments.

"Under current rules, which have not been amended by previous governments, FIRB assessment of critical infrastructure was only required when assets were sold to state-owned enterprises," Mr Morrison said.



TRANSPARENT: Scott Morrison.

"Foreign investment is an important source of capital to build the infrastructure that Australia needs and the Government recognises that this investment can provide access to funds to restore and enhance ageing infrastructure networks and assets.

"But the Government recognises this investment should occur on our terms, must be appropriately scrutinised and not be contrary to the national interest."

Critical infrastructure assets now subject to formal review when sold include:

- public infrastructure (an airport or airport site; a port; infrastructure for public transport; electricity, gas, water and sewerage systems);
- existing and proposed roads, railways, inter-modal transfer facilities that are part of the National Land Transport Network or are designated by a state or territory government as significant or controlled by the government; and
- telecommunications infrastructure; and nuclear facilities.

The appointment of David Irvine (a former Director General of both the Australian Security Intelligence Organisation and the Australian Secret Intelligence Service) to the FIRB is aimed at bolstering the board's ability to provide national security advice.