

Shrinking merchant fleet leaves Australia exposed



Former harbour pilot Peter Court, at the Port of Melbourne, says 'We've lost the assets ... and now we're losing the skills'. Picture: Aaron Francis

- **EXCLUSIVE**

GREG SHERIDAN

FOREIGN EDITOR

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- 143 COMMENTS

Australia is so dependent on foreign shipping that obtaining critical supplies during a national emergency can't be guaranteed, says former Chief of Navy Tim Barrett.

“Issues around COVID and regional tensions mean that only now we are discovering that we are in a very parlous state,” Vice-Admiral (retired) Barrett said, pointing to the new assertiveness of China in the region. “The issue is around resilience to fuel supplies, pharmaceuticals, agricultural equipment, anything that’s critical to society.”

Admiral Barrett is a board member of Maritime Industry Australia Limited, the body that represents the Australian cargo industry.

According to MIAL chief executive Teresa Lloyd, there are now just 13 Australian-flagged or controlled cargo vessels. Thirty-odd years ago there were 100. Britain still has 470 such commercial ships.

“If you don’t have the capacity to requisition ships, there’s not much you can do in an emergency,” Admiral Barrett said. A national government has legal authority in a crisis to requisition civilian ships, which carry its flag or are controlled by its companies, but has no authority over foreign ships.



Pictured: Former Chief of Navy Tim Barrett. Picture: Dylan Coker

Thus the lack of a commercial cargo fleet leaves Australia naked in any emergency that interrupts essential supplies.

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Admiral Barrett said Australia was suffering “sea blindness”.

“It really is a lack of understanding of the significance of the dependence we face,” he said.

Innes Willox of the Australian Industry Group said Australia was now more exposed than it had been for decades: “We are more vulnerable to economic shock than we have been quite possibly since World War II, given geopolitics and the fragmented nature of our core assets.”

Former deputy prime minister and Nationals leader John Anderson said the government should “urgently resolve this issue when we see how dangerous the world has become. We need to be sure we have our essential supply lines secured and can bring in critical materials”.

Peter Jennings, head of the Australian Strategic Policy Institute, told The Australian: “A country with no capacity to control its cargo shipping leaves itself at the mercy of the international environment.”

Deputy Prime Minister and Transport Minister Michael McCormack said “the government has consistently tried to rebuild the capacity but has been unable to get it through parliament”.

He said that industry advice was that the cost of owning and crewing an Australian vessel was significantly higher than a foreign-flagged ship and if that cost were passed on to exporters it could adversely affect key industries, such as mining, construction and agriculture.

He said the government had ruled out either complete deregulation of coastal shipping, the establishment of a strategic fleet or high-cost subsidies.

In response to Mr McCormack’s comments, Ms Lloyd said: “The government has made no efforts to do anything to incentivise or encourage an Australian shipping industry. The only thing they are even working on relates solely to the regulation of coastal trading, which is already dominated by foreign ships.”

COVID-19, in combination with geopolitics, has disrupted international freight shipping much more than has generally been realised, Admiral Barrett told The Australian, as the crews of ships carrying Australian coal marooned off the coast of China have shown.

Many international ships are flagged by countries of convenience — Panama, the Marshall Islands, Liberia. When these ships get into political or even humanitarian trouble they often lack a sovereign power to come to their rescue.

No rich nation can be price-competitive against crews from the developing world. But, Ms Lloyd points out, most developed nations have created sufficient corporate and tax incentives to keep a significant merchant fleet in operation.

These arrangements often involve a “second register” of ships controlled by the country in question, even if not formally flagged by those countries.

The first-world country involved generally provides the officers to run the ships.

The crew serving under those officers often come from developing nations and work at lower rates of pay.

Unless rich nations make arrangements like this they cannot sustain a cargo shipping industry. The alternative is that a nation loses its commercial cargo ships altogether. Almost all the ships working to and around Australia are foreign owned, foreign flagged and have developing world crews.

Peter Court, grandson of the former West Australian premier Charles Court, was one of BHP's last cadets trained as a ship master. Now in his mid-40s, he has left the shrinking shipping industry and laments the lack of any seaborne career opportunities for young Australians.

"I'm 46 in a couple of months and my cohort no longer has jobs doing the technical work. As a nation we are losing the skills," he said.

He worked for several years as a harbour pilot and says he saw "Dutch officers, Danish, UK, French, American" but not Australian. "We've lost the assets, we're down to 13 ships, and now we're losing the skills," he said.

The progressive loss of skills meant, Mr Court said, that "turning it round now would be much easier than it will be in five years' time".

Ms Lloyd contrasts the Australian situation with that of Britain: "The UK saw this problem in the early 2000s and addressed it, they made the decision to keep the skills and keep the assets."

Mr Anderson said the dreadful record of industrial relations on the ports had made governments wary of reviving those forces, but he believed the security - considerations were so important that the government must address and reverse the decline of Australian merchant shipping.

OPINION PIECE

Lack of cargo ships and lax fuel security leaves Australia exposed

GREG SHERIDAN



Former Chief of Navy Vice Admiral Tim Barrett. Picture: Dylan Coker

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- 46 COMMENTS

Australia is ludicrously, irresponsibly, culpably, madly unprepared for any serious external national security emergency where the Americans don't ride to our rescue.

Take two critical examples: cargo ships, and fuel security.

[Once we had more than 100 cargo ships flagged and or controlled by Australia.](#) Now we have 13. That's right, 13. Four of these are dedicated LNG tankers that will soon be replaced by foreign vessels.

By comparison, Britain, about two and a half times our population and with a similar standard of living to us, has something like 470 such vessels.

In the normal scheme of things, not owning anything can be a cheap way to operate. We are wealthy because of iron ore, coal and other bulk commodities. As a Harvard study showed, we are the simplest and least-sophisticated economy of any nation in the world at our standard of living.

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We use our mineral wealth to pay for a services economy that finances good hospitals and well resourced universities. In both those we do some clever things. But as far as possible, we make nothing in Australia and buy it all from overseas.

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If the world is perfectly peaceful, and you're confident your minerals will last forever, that accords with economic theory and will maximise your income.

But national security trumps economic theory, or it should do. If the world is messy, and it mostly is, you're in trouble very fast.

Our true national security policy has long been contained in five words: America will look after us. We better pray the Americans are always able and inclined to come to our rescue.

A civilian cargo shipping fleet is an essential element of national security. We don't have one. Unlike almost any other developed nation, we couldn't be bothered.

Vice Admiral Tim Barrett says Australia is afflicted by "sea blindness". We are not "girt by sea" but girt by beach. We cannot see beyond the breakers.

In World War II, as Barrett points out, we lost more merchant sailors than navy sailors. Our cargo ships kept us alive. That won't happen next time because we don't have cargo ships.

Appalling industrial relations in our ports is one factor that killed our shipping industry. Therefore we need strategic government intervention. Every developed nation that has cargo ships does this. Barrett, who is on the board of Maritime Industry Australia Limited, says we could not in an emergency guarantee supply of our own fuel, pharmaceuticals, key agricultural products or many of the other things critical to a modern economy.

His views on this are shared by former deputy prime minister, John Anderson; Australian Industry Group chief Innes Willox; Australian Strategic Policy Institute head Peter Jennings; and indeed everyone else who knows the field that I spoke to.

Willox says we are perhaps more vulnerable to external shock than at any time since World War II.

Michael McCormack, the Deputy Prime Minister and Transport Minister, says the government is working on the issue and rules out deregulating the industry (though

it is well capable of disappearing without deregulation), building a strategic fleet or paying big subsidies.

Naturally, he blames Labor. But we have had a conservative government since 2013 and we now have just 13 ships. Here's the truth: the government doesn't take this issue seriously because as a nation we don't altogether take ourselves seriously.

Consider fuel security. Last week, we learnt we would lose another oil refinery, leaving us with a pitiful two refineries.

We have no strategic fuel reserve in Australia. According to the International Energy Agency, we are supposed to have 90 days reserve. But really I couldn't care less about the IEA. It's obvious if a crisis comes we would need a reserve in Australia.

Ninety days is no more than a useful benchmark for the obvious, incontrovertible and strategic common sense: we need a strategic fuel reserve in Australia.

Again, this contradicts free market theory. It's cheapest to do everything "just in time". So why store fuel, when that costs money? It's cheaper to buy it just in time, every time. Well, of course, in the real world you might get a pandemic-induced disruption much worse than COVID. Or a colossal natural disaster. Or, most likely of all, geo-strategic and military disruption.



*2017 picture of development on China's man-made Subi Reef in the Spratly islands in the South China Sea.
Picture: AP*

So long as the Americans insist on looking after our security, we are probably OK, but we are too lousy and too short-sighted to look after ourselves. Nearly a year ago, Energy Minister Angus Taylor announced that he had bought us a fuel reserve. And where is it? In the US of course, because we don't have any storage capacity.

Remember again that since 2013 we have had a national security-focused conservative government in Canberra. And then remember that 15 years ago we had eight refineries, one year ago we had four, and soon we will have two. At the same time as we bought our US-based reserve, which is only of use to us if there is no emergency, that is to say in circumstances where we won't need to use it at all, Taylor also announced we would build storage facilities in Australia; fuel farms.

So one year later, how's that going?

You'll be pleased to hear that a grants process is in train to see if folks will apply for a government grant in order to get paid to build a fuel farm. Operating at warp speed, work just might commence by the end of this year. Another year or two and a fuel farm might actually be built.

One of the drollest observations on our national security was that in the time we take to write a defence white paper, China conquered and militarised the South China Sea. We are happy campers in a row boat notionally chasing an ocean liner disappearing over the horizon.

Despite all the government's many counting and accounting tricks, we have a little more than three weeks supply of most types of fuel. Even when, or if, the fuel farms are all built, we still won't keep a 90-day reserve supply onshore but a good deal of that will be in ships on the oceans. This is a brilliant policy, Carruthers, provided there is never, ever going to be any trouble.

Taylor is not the villain here. He has done more than his predecessors. The Morrison government inherited our woeful vulnerability born out of our long complacency. But it is not answering the problems with anything like the urgency they need.

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Greg Sheridan, The Australian's foreign editor, is one of the nation's most influential national security commentators, who is active across television and radio and also writes extensively on culture. He has w... [Read more](#)

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Sea of opportunity awaits if we unlock Darwin's potential

It sometimes takes a crisis for a problem to become clear. Covid and China's trade aggression help us to see where we stand. Three steps from our front door to Asia could change our future.

By ROSS MUIR
FEBRUARY 12, 2021



The present Port of Darwin — leased for 99 years by Landbridge (

It sometimes takes a crisis for a problem to become clear. The coronavirus pandemic and China's trade aggression, combined with growing strategic competition in our region, help us to see where we stand. We Australians have always been quick on our feet. But to do well now, we must become as fit, efficient and effective a nation as we can be.

Being highly competitive is key. In particular, as we emerge from the pandemic and come to terms with a tougher global economic outlook we must think big on the kind of national projects that can reshape our future strategically and as a trading nation.

Australia's free-trade agreements with our Asian neighbours have helped expand trade. But more important is good physical trade infrastructure — rail and ports — which enables trade to take place at lower cost.

Building our rail and port capacities will cut those costs. And doing that in our north is crucial. Moving more freight to rail significantly improves freight efficiency, while decreasing waiting times at ports. This is particularly true for northern Australia, where long rail distances with relatively few stops delivers impressive supply chain efficiencies. Northern Australia's proximity to Asia (and to other markets) gives us a logistical advantage.

In this, Darwin has a clear geographical advantage. It represents an opportunity for economic expansion. It's our front door to Asia and has a seaport much closer to Jakarta and Singapore than Sydney or Melbourne. The 3000km Ghan railway linked Adelaide to Darwin in 2003, permitting freight from the south to be exported through the Port of Darwin. The Genesee & Wyoming Australia rail company (now majority-owned by Macquarie Bank) is running a thriving business.

In 2015, the Abbott government released the Our North, Our Future: White Paper on Developing Northern Australia. It set out recommendations, including a feasibility study for a railway from Tennant Creek to Mount Isa, which would link Darwin through to Townsville. To its credit the government continues to refine its approach on northern Australia.

Ensuring supply chain connectivity in northern Australia is not merely an economic question. It is a vital one of national security, given the presence of key defence facilities and other assets in our north. Northern Australia's importance is not lost on our friends and rivals. Our major ally, the US, our major regional partner Japan, and our major present market, China, all see its strategic value.

If we are genuine about boosting economic growth and strategic partnerships, including with high-potential neighbours such as Indonesia, we must match words with capable infrastructure.

We need to take three related steps in our north to lift national capacity and resilience.

First, we must build an additional and larger seaport for Darwin because the present Port of Darwin — leased for 99 years by Landbridge (China) — lacks sufficient capacity for growth.

Situated at East Arm in Darwin Harbour the existing port sits between Darwin City and Palmerston. Hemmed in by the nearby LNG gas processing production trains of Inpex (Japan) and Santos (Australia) and associated under-harbour gas pipes and gas tanker ships, Darwin Port is short of space. It will continue to run profitable container traffic but will soon reach its limit to handle bulk ore. Put simply, it is too close to built-up areas. Nor can it comfortably accommodate Capesize ships — the largest dry bulk vessels.

If we are genuine about boosting economic growth and strategic partnerships, including with high-potential neighbours such as Indonesia, we must match words with capable infrastructure.

The Northern Territory has long planned for a new port at Glyde Point, 90km northeast of Darwin City. A potential alternative site is Murrumujuk, 60km northeast. Either of these locations would require a short rail extension. Either would provide a high-volume bulk ore seaport needed to service fast-growing northern rail transport logistics. Indeed, the 2015 White Paper found that the Ghan rail to Darwin enabled 13 times larger export volumes through the port in just 10 years. A new

port could cost about \$7 billion and take at least five years from approval to completion. We need to start now.



Second, it's time to build the long-proposed railway from Mount Isa to Tennant Creek (MITC), which would connect Queensland with the Ghan line to Darwin. Prioritised in the 2015 White Paper, its 600km of rail would cost about \$3bn.

The MITC rail is the next logical step after the Ghan connection to Darwin. The connection would enable new mining and agricultural ventures, including potential mining of phosphate deposits in the Barkly region. It would also foster tourism links.

Crucially the project provides a back door for Queensland's exports via Darwin's port. This could take pressure off shipping lanes along the Great Barrier Reef. It also could provide an additional supply line for the Australian Defence Force. The government's technical assessment panel study says of the proposed rail: "... there are no major complexities ... risks identified are manageable and there are opportunities to refine the [rail] alignment".

Third, we must assess how the rail connection from Darwin to Mount Isa could extend southeast, allowing Darwin to help take the pressure off our southern ports. Such a connection could speed up our exports and imports and lower costs.

A southeast extension of the rail might, for example, run from Mount Isa to Toowoomba via Charleville — using some existing rail corridors — connecting with the Inland Rail now under construction from Melbourne to Brisbane. It would ultimately connect Brisbane (and Melbourne) with Darwin.

None of the above is to suggest that decisions on key infrastructure are easy. The benefits of new northern infrastructure can be harder to demonstrate because it is often "greenfield" in nature, with no established statistical base to assess future economic returns.

Yet, northern outcomes consistently deliver direct economies of scale — for example, higher utilisation and reduced unit costs for freight — in contrast to the encroached environment of our southern cities where “positive” outcomes are often achieved through a “double-negative” (in which, additional infrastructure is funded to reduce growing logistical constraints).

Catalytic reforms like these are hard won because they ultimately involve a leap of faith. They require vision and judgment in the face of uncertainty — a long-term perspective on national benefit. But we have succeeded before. The floating of the dollar and the start of serious tariff reform in the 1980s are such reforms — fostering bipartisan support and resolve to complete. Those reforms have delivered for decades — and we’re stronger for them, facing down economic crises.

Put simply, we will never have all the facts. Decision is required. In this light, former prime minister John Howard’s decision to support the Alice Springs-Darwin railway — against the advice of government technocrats — was a good call.

In Australia’s present strategic setting we know where we stand. We must now act.

Ross Muir was senior advisor to the taskforce that prepared the 2015 white paper on developing northern Australia. A version of this article was first published by Asialink, University of Melbourne.