



# SHIPPING Network

The official magazine of the Institute of Chartered Shipbrokers

*Promoting professionalism in the shipping industry worldwide*

Issue 41 June 2015

## Unsung heroes

Shipping's middle men  
and women deserve  
greater recognition



Reputation counts | Playing couples counsellor | Shipbroker lifecycle | Baltic Exchange reinvented





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# You may turn your papers over now

Education and Training Committee chair [Susan Oatway](#) muses on the foundations of the Institute



**Susan Oatway**

As I write this, I am helping with the invigilation of the Institute of Chartered Shipbrokers' exams in London. It's a fitting place to think about the broking profession – the theme of this edition of *Shipping Network* – and what it means for the students sitting in front of me.

I am hopeful that the students all know that modern day chartering and negotiations can be traced back to traders in London in the 17th century. After the Great Fire, traders looking to find or hire a ship would meet at a local public house. However, as we all know, quite often what you agree in the pub today might not be such a great idea tomorrow. So as a form of self-preservation, traders started to frequent coffee houses and from these beginnings the Baltic Exchange was born.

Back then, negotiations were agreed on the shake of a hand and the Institute's motto; 'Our word our bond' stems from this. It may seem very simple – or noble – to agree a complicated deal in this way, but it was simply self-preservation. If you went back on your word, you might get away with it once, but no-one would deal with you again.

Centuries on and shipbroking still keeps trade flowing. The students sitting the Institute exams are a testament to that, voluntarily putting themselves through the agony of writing for three hours, dredging from their memories all the knowledge they have learnt. Shipbroking is one of the key links in supply chains that cross the globe and these exams are the gateway to that industry.

There have been times when the Institute asks a question on broking in these exams, something along the lines of 'What is the role of a broker?' It is a question that students cannot pass by quoting something learnt by rote from a book. They must demonstrate their understanding of the industry and explain why a broker is so much more than just a 'middle man'.

## DEALING IN INTEGRITY

The broker is the person who fixes the deal, but they must do so within the bounds of the law and an ethical code. They are not just responsible for bringing the two parties together, they must also ensure that they are well matched, that the ship is suitable for this trade, and that the rate is the best they can get for the owner.

Of course, there is more to it than this idealistic summary: brokers also have a duty to understand the market, to ensure they are well briefed about available cargoes and suitable ships, and

that they know which companies are facing difficulties and which are less than open about their intentions.

But the main thing brokers must be sure of is their source of authority. As brokers we do not act for ourselves, we are agents only. We are not trying to get the best deal for ourselves but for our principal. It is this key point that students – and brokers – must remember.

**"Our Institute... is still about dealing with people in the right way, with the right code to make the right deal"**

By the time you read this issue the exams will be over and examiners across the globe will be hard at work marking the papers. Many of them are (or have been) brokers, as well as agents, port operators, ship owners and all manner of trades within commercial shipping. This goes to prove that our Institute today is no longer just about brokers, but it is still about dealing with people in the right way, with the right code to make the right deal.

I wish all our students the best of luck and I hope we see a lot more 'brokers' passing their exams when the results are announced in August.

Susan Oatway, FICS

Chair, Education & Training Committee **SN**



**Students can't learn the industry by rote**





## Changing motivations

The role of a shipbroker has changed exponentially since the infamous London coffee houses churned out the first of their breed back in the 1700s. That transformation has been most dramatic through the internet age where shipbrokers today have the world at their fingertips.

While we celebrate the benefits – instant access to information, unchallenged communications across borders, ease of undertaking due diligence as examples – there have been downsides too.

Shipbrokers today are expected to service every geographical market, regardless of the time zone, even if that means theoretically working a 24 hour day. With today’s relative ease of access to information, they also need to be statisticians, weighing up the validity of the mass of data that

flows through on a daily basis. Add to all this the proliferation of shipbroking houses and the intensified competition for the actual work and it’s clear that the profession of shipbroking has moved a long way since those coffee shop meetings.

But despite the modern day demands, one thing has not changed: this is a career that can still get the blood pumping and the heart racing, whether at the start of a deal when the shipbroker finds the perfect charterer, operator, buyer or seller to start negotiations, or at the end of the process when the charter, sale or purchase is completed. And who can argue with motivation like that? **SN**

Carly Fields, FICS  
Editor

### You may turn your papers over now

Education and Training Committee chair Susan Oatway muses on the foundations of the Institute

### Supporting diversity throughout shipping

Richard Helm explains what sets Institute qualified professionals apart from the rest

### Less broker, more couples counsellor

Simon Ward explains why fixing the ship is just a minor role for today’s shipbrokers

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Felicity Landon looks at the changing ownership structure of shipbroking companies

### Maintaining roots to branch further out

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### Making a full and fair assessment

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### Broking in every corner of the world

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### It began with mead, medals and mottos

Andrew Lansdale takes a trip down memory lane to determine the history of shipbroking

### Avoiding the curse of the banking sector

Tony Dixon asks how shipbrokers have managed to avoid the negative connotations of being a broker

### A seat at the negotiating table

Rev’d Canon Ken Peters discusses the nuances of broking a deal for the well-being of seafarers

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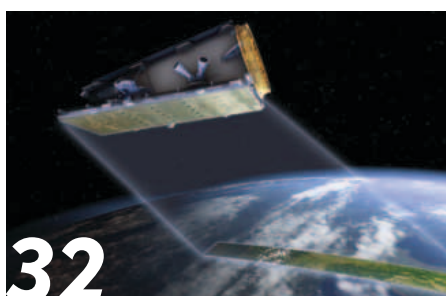


“Mergers and acquisitions are a consequence of the market we are going through,”  
 Guy Campbell,  
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# Supporting diversity throughout shipping

Richard Helm explains what sets Institute qualified professionals apart from the rest



Richard Helm

Scribbling down notes on the back of a beer mat, clambering up a gangway, touring a mine or grain elevator, laying out vessel drawings or sprinting for an airport gate—all are part of working life for many shipbrokers. It's difficult to imagine a more challenging and interesting job and it is one that requires a long list of qualities for success, professionalism and knowledge being the most important.

inner workings of a ship; others can chart the last ten years of the BDI with their eyes closed. When we gather at international events, we find that we face different challenges and employ some different methods in our work. At the same time, we share core qualities that are increasingly important in our evolving industry.

**Topic: Abilities**

**Keywords: Education, support, network**

**Background: Professionalism and knowledge give Institute members an edge in an ever-changing shipping industry**

**“Shipbrokers as a group have a wide variety of backgrounds, skillsets and business cultures”**

Shipbrokers come in many varieties, not only in the roles they play (sale and purchase, time or voyage charter, wet or dry, owners’ or charterers’ broker), but also in where they work and the clients they represent. Some brokers are located in major banking, shipping and commodity centres around the world, such as London, Singapore, Geneva, Athens and Dubai. Others are in regional locations where they work with local shipping and commodity companies.

A quick survey of literature, shipping websites and blogs reveals a demanding list of skills and qualities for a good shipbroker. Communication, knowledge, curiosity, negotiation and social skills, language, cultural understanding, technical and business training, mediation and earning trust are among the most important. The job requires great personal energy, the ability to move business forward, and as much understanding of humans as of ships or cargoes.

**MATCHMAKER**

As a result, shipbrokers as a group have a wide variety of backgrounds, skillsets and business cultures. Some know the

In the earlier days of primitive and expensive communications, much of the role of shipbroking was to connect distant principals which were often unknown to each other. Co-broking was a

## Fraudsters target shipbrokers through financing

International Transport Intermediaries Club has issued a warning that fraudulent diversion of funds is on the increase in the shipping sector.

Any change of bank account should be treated with caution



ITIC had previously issued a warning on the fraudulent diversion of port expenses, but it is now seeing this trend across other sectors on the industry.

In a typical such fraud, says ITIC, the party due to make a payment will receive a bogus message altering the recipient’s bank details. Examples have included the diversion of ship agents’ disbursements accounts. Ship managers are also among those who have been targeted.

The email addresses used by the fraudsters are only very slightly different to the genuine ones – perhaps a single letter being omitted.

ITIC advises: “Any message changing account details should be regarded with suspicion, and steps taken to secure independent verification of instructions.

“By way of example, one shipbroker managed to frustrate an attempt to divert monthly hire payments by telephoning an owner’s accounts department to verify whether or not a request to forward funds was genuine. It wasn’t.

“The check should not involve replying to the suspect email, but rather using a different channel of communication or, at the very least, re-entering the email address copied from a message known to be genuine.” **SN**



more common way to bridge geographical divides and this was an era when abbreviations, such as 'SHex' – Sundays and holidays excluded, evolved from the need to save pennies per letter on telex machines. While transparency and easy internet communications have changed this in recent years, shipbrokers continue to play a critical role in facilitating chartering business. Regulations and financial tools have resulted in safer, environmentally cleaner shipping and fewer bankruptcies, and they have also raised the bar: shipbrokers must be capable of making digital presentations, working spreadsheets and predicting voyage rates using FFAs. We need to follow world events more closely and interpret for our clients the shipping related impact of, for example, evolving bunker regulations, new Panama Canal tariffs and geopolitical events.

As with most professions, shipbroking has an element of basic sales and service. Shipbrokers must have the skills to put out a requirement quickly, twist the arm of a principal for support, stay up late or get up early to contact principals in different time zones, and help counterparties find common ground to do business together. Training can assist with the development of social skills needed to rise to the top as a shipbroker, but many of these characteristics are already inherent in successful candidates.

The Institute was founded in the 1911 and from that time through to the 1970s people in chartering roles were less likely to have higher levels of education as compared with today. Instead, brokers learned the job dockside or trained with companies near the Baltic Exchange, for example. The early Institute curriculum included courses on writing, geography, accounting, economics and shipping to ensure all members had a good educational foundation. In turn, this set the standard for the shipbroking industry in the UK and eventually around the world. With higher education more accessible now, and given the demands of the industry, the expectations have been raised for shipbrokers and the courses have been tailored accordingly.

## CORE VALUES

Today, education remains at the core of the Institute. This year, Institute students sat more than 3,000 exams in over 100 exam centres around the world — often with the financial support of employers seeking to build a well-qualified team. Despite the current difficulties in shipping markets, students continue to demand training to improve their performance, remain competitive and move more quickly through company ranks. Throughout their career, many Institute members continue to participate in the frequent seminars and workshops offered by Institute branches around the world. In addition, senior Institute members provide mentorship to students and new members, ranging from study guidance to developing circles of industry contacts.

Through training, examination, promotion, mentoring and ongoing education, the Institute works



Credit: Paolo Margari

### Dubai has a strong shipbroking community

to ensure its membership demonstrates the core qualities of professionalism and knowledge throughout the world. For this reason, the Institute continues to grow as the largest international organisation of shipbrokers and related professionals. What this means for Institute members is they can call on each other for reliable local knowledge or expertise, knowing they can trust fellow members to live by the Institute motto 'Our word our bond'.

The Institute itself is striving to improve by finding new ways to benefit members, elevate student and member knowledge, expand the network of branches and members and use technology to harness and support the worldwide network of shipping experts.

Throughout the past few decades, the Institute and its members have proven they have the professionalism and knowledge to adapt to a changing industry. For example, when the internet took off in the late 1990s, it seemed shipbrokers would soon be replaced by computers. The assumption was that the main role of shipbrokers was matching ships to cargoes—a task that could be automated. But while computers are very helpful to quickly identify which suitable ships can make a certain position, prepare voyage calculations and search for contact details, it became clear brokers bring much more to the table than that. Creativity, practical knowledge, mediation and relationship skills are what is needed to bring together principals and facilitate successful vessel charters.

Shipbrokers and related practitioners are a special brand of people. To succeed in all respects, we must be skilled, well-trained professionals. Many of us around the world have the Institute to thank for playing an important role in our success. **SN**

*Richard Helm, FICS, serves on the board of the Institute's Canada Branch. He works as a shipbroker and director of Navico Chartering in Vancouver, BC ([www.navicochartering.com](http://www.navicochartering.com)).*

“Through training, examination, promotion, mentoring and ongoing education, the Institute works to ensure its membership demonstrates the core qualities of professionalism and knowledge throughout the world”

# Less broker, more couples counsellor

Simon Ward explains why fixing the ship is just a minor role for today's shipbrokers



Simon Ward

What does a shipbroker do? Well the obvious answer is that he or she fixes ships for employment in chartering, or buying and selling ships in the case of S&P. But on a daily basis, it is a myth (sometimes promulgated by the brokers themselves) that all brokers do is negotiate and conclude deals (or otherwise). Would that it were so. There is much more to do, before, during and after the deal is concluded than just fixing.



**Topic: Making connections**

**Keywords: Duties, knowledge, trust**

**Background: Contrary to popular belief, shipbrokers do a lot more than fix a ship**

Shipping is an industry that relies heavily on relationships, and shipbroking even more so; indeed the role of a broker is to develop, manage and formalise (by contracts) the relationship between principals. Just as you should not rush into a deep personal relationship - or it is at least generally inadvisable - with someone you know nothing about, however enticing it may appear, it is unwise for a principal in shipping to enter into an agreement with a counterparty without having, at the very least, some background of who they will be dealing with, regardless of how the relationship is defined in a contract. In broking, as in life, if it appears too good to be true, it normally is. A brief liaison may end in lifelong love, in disaster, or with just an empty sense of being used for someone else's benefit. The same is true of shipping.

Obviously every relationship isn't the same: everyone is different, as are their personalities. Brokers tend to gravitate towards the business and clients that their own personalities suit.

If a broker is in the business of managing relationships, he or she has to concentrate on all aspects of the relationship. This means proving to those around them, other brokers and principals, that they are able to do what they are supposed to do and to show they know what they are talking about. This requires knowledge. This is not just the basic, elementary knowledge of shipping, but the kind of knowledge that comes from experience and market participation, that is from doing deals. This is naturally tough on brokers starting their careers, especially in a very competitive market.

## WHAT'S GOING ON?

A good first step is knowing what is actually going on in the market, who is doing what with whom, and at what level. Then when there is a fresh opportunity, not only can the broker spot it, he can relay it as being relevant to their client's needs.

An email is normally not enough - being able to communicate not only what, but why, the potential business should be attractive in a succinct and persuasive way is very important. If a broker does not do this, then their competitors will certainly do it for them. And while we may use friends to do business, business friendships cannot rely on unconditional love - the broker has to make sure his or her expertise is fully at the disposal of their clients, without them having to ask for it, in order to have the best chance of doing business.

Of course, there is more to broking than spotting suitable business in commercial terms. The broker needs to be able to recognise the suitability of the counter parties doing business together. You would not fix your friend up on a blind date if you suspected imminent disaster. Your friend would find it hard to forgive you, and clients tend to be far less forgiving than friends.

Just as friendships require constant communication, business relationships need to be refreshed continually, with information, ideas, and potential business provided constantly. We should not neglect the personal aspect either. Meetings, coffee, lunches and dinners, and other social events are all ways that relationships can develop further.

**"An email is normally not enough – being able to communicate not only what, but why, the potential business should be attractive in a succinct and persuasive way is very important"**



A broker has to mediate in difficult times



If 'divorce' is inevitable, the broker should make the split as amicable as possible

"If divorce is inevitable, then the broker should be on hand to ensure the split is as amicable as possible and dealt with privately between the parties"

A broker has to be proactive, both in looking for business and collecting information. They cannot be like a sea anemone waiting for business to drift into their tentacles because they are there. Nor is it a matter of putting like-minded people in touch and letting nature take its course through mutual desire. Once business has been introduced the broker needs to step up a gear.

The expertise of the broker in negotiating/cajoling/persuading/coercing a client or co-broker now comes to the fore, and obviously requires different skills to chatting about or analysing the market. The ability to explain, listen, know when to push and when to hold back, in a fast moving and time pressured atmosphere is essential. This is part intuitive and part learned, and improved by experience. But it should be obvious here that the time invested in building the relationship, in particular the trust built between the broker and the client, becomes very important. It is much easier for a broker to persuade a client to do something they don't really want to do if the client trusts their broker.

### POST FIXTURE

Fixing a deal however is not the end of the story. No one likes someone leaving in the morning without saying goodbye, let alone not calling again. A broker should not fix and forget. Now of course many brokers, particularly in chartering have post fixture departments, where day to day operations can be handled without distracting the broker too much from their other day to day activities. But the broker should still keep an eye on this, if only to head off potential problems before they get out of hand. Apart from the obvious (and necessary) desire to secure commission, it must also be obvious that the best business is repeat business.

Even in the best of relationships, unforeseen things can happen, beyond the parties' control. This is perhaps where the broker's skills become most severely tested. In putting a deal together, there is obviously a desire or need for both counterparties to agree eventually, however difficult the terms and conditions are. If they are too

onerous then the deal is not done. But when problems arise one of the parties may want to exit the agreement, maybe because of changed market circumstances, or at least try and renegotiate the agreement more in their favour. The broker should be able to spot these crises before they reach danger point, and if unable to avert them, should certainly not run away and hide. The deal could be saved, even on amended terms.

If divorce is inevitable, then the broker should be on hand to ensure the split is as amicable as possible and dealt with privately between the parties. Sometimes however, things go too far, despite the best efforts of everyone involved, and things end up in arbitration or worse, the courts. Although a difficult time, if the broker wishes to maintain their relationship with their clients, they need to stand by and offer what support they can, and not leave it to the lawyers alone. Lawyers get paid by the hour, but brokers only get paid for success. If the deal collapses, there is no commission forthcoming, but if the broker wants to continue doing business in the future, he or she has to stick by their clients, for better or worse, richer or poorer. No one likes a fairweather friend.

The best business is repeat business, but in a competitive market, a broker cannot assume that because he has done one or two deals he is safe and will continue being able to do that business ad infinitum. Just as in life, times change, different people and new friends come along, and the broker has to work hard on maintaining the relationship even if there is no obvious imminent profit.

A broker's life is one of constant change and instability; success and markets come and go, no matter how hard they work. However by working on relationships with their clients, co-brokers, colleagues and all those other people they meet in their career, the broker can have a better chance of maintaining and attracting new business, but perhaps more importantly of remaining a recognisable human being. **SN**

*Simon Ward FICS is director of Ursa Shipbrokers in Greece.*

# Indecent proposals and complex couplings

Andrew Lansdale examines the complicated births, deaths and marriages of shipbroking companies



Andrew Lansdale

On the boards adorning the walls of the Institute of Chartered Shipbrokers are written the names of former presidents and chairmen. Among these are the names of founders of celebrated London shipbroking firms. There are names such as John I. Jacobs, Ernest Simpson of Simpson Spence and Young and Howard Houlder.

● **Topic: Mergers & Acquisitions**

**I** **Keywords: personnel, walkouts, buy-ins**

**Background: Lured by ever-greener grass, shipbrokers are loathe to spend too long in one role**

London became the largest shipbroking centre in the world by the middle of the 20th century. The numbers of broking firms in the capital were numerous and very busy. Some, such as Horace Clarkson, became very large indeed.

It grew by extending its own influence and recruiting additional staff, as well as through mergers and acquisitions. Among others, Clarkson's bought the small tanker, chemical and gas broker Genchem. Genchem also had departments that concentrated on dry cargo and heavy-lift chartering. It was founded as the house broker for the chemical giant ICI and was granted independence in 1969, but after the takeover it was independent no longer.

**“The merging, growing, splitting and dying process continues... with the Baltic Capesize Index at its lowest level since its inception, there are bound to be more casualties along the way”**

Clarkson's had also whetted its appetite when it took over the established company J O Plowright. It was incorporated in 1948 by its founder John Oliver Plowright and expanded from bunker broking into dry cargo and tankers. In the 1980s, it was the subject of a walkout by three of its brokers; Amato, Clough and Morton, who formed ACM. But for Clarkson's it hasn't all been about expansion.

## BREAKING UP

In 1983, Clarkson's split into two. A large number of Clarkson's tanker brokers left and opened their own broking house, Braemar. It was not the first time that such a walkout had happened:



Credit: Ben Brooksbank

**London was the largest shipbroking centre in the world by the 1950s**

other shipbroking businesses had previously split. Shipbrokers Stewart Wrightson and Galbraith Pembroke had gobbled each other up in the 1960s to become Galbraith Wrightson. In 1972, that company split when some of its brokers left to form Seascope, which became a publicly quoted company in 1997 and itself merged with Braemar in 2001.

A few years after that, Braemar Seascope had an exodus. A group of brokers left to form Genesis. A similar departure also occurred later when two sale and purchase brokers left Braemar Seascope to join Clarkson's.

And so the wheel turns full circle, the old companies embracing a new one. But there are also wheels within wheels. Arrow was set up by former Clarkson's personnel in 1991. Similarly, Thurlstone Shipping was set up in 2004 by two breakaway Clarkson's brokers who specialised in capesize bulkers. It expanded to 10 brokers within a year. The growing cycle had thus started again.

There have been other breakaways, joined by more breakaways, similar to Seascope and Braemar. Capital was set up in the 1980s by ex-John I Jacobs personnel. It attracted breakaways from the S&P broker Cleeves.

SSY lost people who opened as Trafalgar Shipping & Trading. The departees might be pleased with their move: apart from selling many bulk carriers, TST was also involved with two newbuilding LNG carriers. One of the largest walkouts in recent times came when nine brokers and one staff member left Gibson's to set up their own Ocean Broking, which started trading in 2006.

Such breakaways are not restricted to London. Oslo broking house Basso had a walkout in 2005 when MD Einar Danbolt left with four colleagues to set up SeaLeague. They had influence over the shipowner Polymar Tankers, which has close links to Polys Haji-loannou.



## DISSATISFACTION

So why do staff members so often become disaffected and strike out on their own? Mainly, financial or promotional prospects are lacking, but add to this the need to shake off the yoke and become master of their own destinies. Often such moves are extremely successful. Braemar Seascop, Capital, ACM, Thurlstone, Essex and Trafalgar were all tributes to this entrepreneurial spirit. But these also gobbled up companies in the same category; Braemar Seascop has now taken over ACM.

Some of the old shipbroking powerhouses of the post-war period are still up and running. Others lost staff, surrendered market share and folded. Still others have moved down a division.

Howard Houlder ran into stormy weather when its staff left to other broking shops. Some started Essex Shipping, a successful tanker broking company. Howard Houlder itself is now a shadow of its former self. Davies & Newman was the one of the most successful broking business in the 1960s, fixing the majority of Shell business. Now it has gone. John I Jacobs was the main BP broker in the 1960s and 1970s. It has now

disappeared from the broking ranks. Cambridge Tankers was a highly respected name in the 1960s. It has also gone. So every dog has its day, and some have already had theirs. Who will be next?

Only by carefully studying the broking pond can one see how the businesses are behaving. In the last twelve months, Clarksons acquired Norwegian shipbroker, RS Platou. The chief executive of the London Branch left and set up a new broking company Affinity. In about the same timeframe, ICAP was taken over by Howe Robinson, a highly successful London broking house which had moved its headquarters to Singapore.

So the merging, growing, splitting and dying process continues. With the Baltic Capesize Index at its lowest level since its inception, there are bound to be more casualties along the way. **SN**

**“Every dog has its day, and some have already had theirs. Who will be next?”**

## It's all Greek to me

Greek shipowner, the late John Carras who was born during the First World War, and was famous for many things.

One of his greatest qualities was that he financed his ships with his own money. He never approached a bank for funding.

He was the first western shipowner to contract new tonnage in Japan after the Second World War and built most of his fleet of tankers and bulk carriers in that country. In the 1990s, he purchased his first newbuilding capesize bulk carrier from a yard in South Korea. In 2007, in support of European shipbuilding, he ordered a series of capesize bulk carriers from the Danish shipyard of Odense. The four 182,000dwt vessels were delivered after his death in 2008 and incidentally into a very poor market following the collapse of Lehman Brothers.

Earlier in his life, in the 1980s, the in-house shipbroker he employed to fix his ships was working on a piece of timecharter business. During the negotiations, he came to see Mr Carras.

“The charterers are talking about bank guarantees, Sir,” he said.

“Bank guarantees?” queried Mr Carras, “what bank do they want me to guarantee?”

In the 1970s, the Greek shipowner E M J (Minos) Colocotronis believed that the future for an owner in the tanker market was in building ever larger ships. He embarked on a buying spree of ultra large crude carriers (ULCCs), both new and second hand.

They were extravagantly named and were christened with names such as *Dauntless Colocotronis*, *Brave Colocotronis* and *Heroic Colocotronis*.

One afternoon, he walked into the office and announced that the naming ceremony had been arranged for his latest newbuilding. The problem that was nagging at him was the name to be chosen for this newest addition to his fleet. He had already used *Daring*, *Gallant* and *Valiant*.

A young shipbroker, who had not been in his employment for very long and who had one too many bottles of beer with his lunch, drew the owner's attention to himself by standing up and calling out,

“I have a suggestion!” The shipowner turned his head, his eyes framed with dark-rimmed glasses. “Well, what is your suggestion?” he said.

“Why not call the new ship *Modest Colocotronis*?”

There is no record of his remaining in the same employment for very much longer. **SN**



Greek shipowner John Carras was famous for many things

# From 'other business' to employee trust

Felicity Landon looks at the changing ownership structure of shipbroking companies



Felicity Landon

ACM and Braemar ... Clarksons and Platou ... ICAP and Howe Robinson – the shipbroking sector has seen a rush of mergers and consolidation.

Giants are being created: when ACM Shipping Group completed its merger with Braemar Shipping Services' shipbroking arm, Braemar Seascope, the expanded market coverage was an obvious benefit for the new entity.

## ● Topic: Structure

**I** Keywords: personnel, consolidation, trusts

Background: Shipbroking companies are looking for alternative ways to exist in the current lacklustre market

Braemar Shipping Services chief executive James Kidwell said: "We are creating a top class shipbroking business and we look forward to capitalising on the opportunities that arise from the increased reach and prominence of the business."

Is there more to come?

Baltic Exchange chief executive Jeremy Penn says: "I think you probably do get more consolidation in more difficult markets. People are more exposed on cost and overheads and so on; the best brokers will do well and others will do less well, so that creates consolidation.

"However, I have always thought that shipbroking is one of those businesses – and there are others, like recruitment – which naturally consolidates and deconsolidates over time. No



Gibson leaders for three eras in the company's history

sooner than you see a wave of consolidation, than you will see probably small teams of people taking some key relationships and going off to work independently, setting up new brokerage establishments."

Baltic Exchange chairman Guy Campbell agrees: "I think mergers and acquisitions are a consequence of the market we are going through. We had an extraordinary market in 2003-2008, with exceptional earnings and exceptional returns. It was a phenomenal market for shipping and broking. Now we are struggling through the oversupply situation, so earnings are low and it is a very poor market in many sectors – predominantly dry cargo, and London has a big proportion of that."

## Brokers are an adaptable bunch

Shipbrokers are offering a wide range of in-house services while keeping their core activity strong, says Jonathan Williams, general manager of the Federation of National Associations of Shipbrokers and Agents (FONASBA).

Recent consolidation has seen some of the biggest broking houses getting bigger – "and that creates economies of scale and experience, and one of the things they are able to spend time and money on is research.

"There are people providing automated voyage planning systems and other in-house services. Yes, they are diversifying in terms of service provision, including into ship agency and even salvage.

"But at the other end of the scale, people break away from the big companies and form little broking houses. The little ones are fleet of foot in a small rented office or even a spare bedroom. In broking, that doesn't matter – you basically need a telephone and laptop, or you can combine the two. The small ones are still there and operating reasonably well, covering their costs and making a living; it is a bit like the market stall holder doing all right, and so is Waitrose, while it tends to be the medium-size broking houses that are suffering a bit at the moment." **SN**

## FULL CIRCLE

Mr Campbell says that while consolidation is a question of managing costs and overheads, it is equally about recognising that as the broader shipping industry consolidates, so the broking sector that serves and supports that industry 'probably needs to do the same thing'.

"But we will go full circle; in five or six years' time, when the market returns, you will see some breakaways and small companies forming, and history repeats itself."

However, recent changes in the market have not all been about mergers – in one notable case, it has been all about flying the nest.

EA Gibson, in a deal described as a 'planned, amicable separation', broke away from its parent, the Hunting Group, after more than 120 years – setting out on its own as a uniquely structured employee-owned company.

Gibson managing director Nigel Richardson, who led the company into this brave new existence, agrees that an employee-owned trust is very unusual in this sector but says this is absolutely the right way forward for the company.



"For the last 121 years, Gibson had been 100% owned by Hunting, a FTSE 250 company on the London Stock Exchange," he says. "But in 2013, it was clear that Hunting was restructuring the company to focus on core activities – that being oilfield services and the supply of quality equipment for the extraction of oil & gas. Whereas Gibson used to be very much part of Hunting in its formative days, as time went on, Gibson became less and less relevant to the group's day-to-day activities. There was absolutely zero symbiotic value between the two companies, so there was no point in them owning us, other than us supplying them with profit – and that is not a good enough reason."

Having said that, through generations of Huntings, the family retained a strong relationship with Gibson – that probably kept the two sides together longer than might otherwise have been the case, says Mr Richardson.

"But it was obvious that Gibson was an anachronism and was cluttering up their spread sheets and their presentations to investors. We were effectively put into 'any other business'."



**Gibson's Nigel Richardson congratulates employee Ricky Taylor for his award in the 2014 Institute exams**

### SEPARATE WAYS

So, the deal struck between Hunting and Gibson reflected that friendship and understanding between the two companies and the individuals involved, he says. Rejecting the options of a stock listing, a partnership or an MBO, he was convinced that the fairest way forward for all staff would be to take the company into employee ownership.

"I wasn't keen on Gibson being swallowed up by another company – we would have become part of whoever bought us, and that name of Gibson would have died. It has happened to so many over the years – I could list 20 companies in quick succession. It would have been very sad to lose that 121-year pedigree, given that we are a good product and a good firm of shipbrokers. The mergers have all taken place for a reason and we could have easily been part of that – but that would not have protected Gibson's interest."



**"Mergers and acquisitions are a consequence of the market we are going through,"**  
**Guy Campbell,**  
**Baltic Exchange**

Gibson, he says, will be 'independent and intermediate, and that is how I want the company to stay'.

"I don't want to become a huge conglomerate. But the markets are tough – you have to work very hard for your earnings and you have to add value and give a good service. We have a very strong research team and projects team."

Mr Richardson divides the shipbroking sector into three distinct areas: boutique and small, or mid size and independent, focusing on broking, or 'goliath' and having to be everything to everybody.

"I don't want ship agency and finance products and services. I think as shipbrokers we should strengthen our core product and focus on that, and not get too deviated."

Gibson employs about 175 people in total; 145 are based in London and 30 in Singapore, with others in Hong Kong, Houston and China.

### LONG TERM

So what are the attractions of an employee-owned trust? Shipbroking companies, he says, are only as good as their employees, and it's essential that a professional workplace is created that encourages and fosters that. He wants to take the 'mature, long-term approach', with a strong focus on training.

"While we were in Hunting, all Gibson's profits were going elsewhere. Now we are in a position where the company has no external shareholders, so any surplus money made can be kept for the benefit of the company and division between staff, rather than investors. I want us to have the full benefit of our successes."

Under the terms of the trust that has been set up, a holding company will always retain over 51% of the ownership, so protect Gibson from any hostile takeover. Getting the company into its current form has involved hours of work and been very demanding, says Mr Richardson. "But there wasn't a single aspect of employee ownership that wasn't absolutely right for all the staff."

**SN**



**"Any surplus money made can be kept for the benefit of the company and division between staff, rather than investors,"**  
**Nigel Richardson,**  
**EA Gibson**

# Maintaining roots to branch further out

The Baltic Exchange balances its London heritage with overseas expansion, finds [Felicity Landon](#)



Felicity Landon

What might come to mind for your average person-in-the-street if you were to mention the City of London's financial sector – the Libor-fixing scandal? Skyscraper-high bonuses for bankers? Government bail-outs? Or even the asbestosis crisis, bankrupt Names and the near-collapse of Lloyd's of London in the 1990s?

● **Topic: Organisation**

**I** **Keywords: Membership, code of practice, ethics**

**Background: The Baltic Exchange must move with the times, but not at the expense of its maritime London origins**

It's an unsavoury list, but, as with all sectors of business or life, it's generally the bad news that attracts the most attention among the media or general public. Who would read a newspaper full of 'everything's just lovely' stories?

And that's a pity, because there is a very specialist, very skilled, very experienced bunch of people whose code of conduct could well provide a benchmark for many others. Perhaps, in a world plagued by the rush to regulate, we ought to whisper this next point: there is a group of specialists who are officially largely unregulated. Instead, they abide by a clear set of ethics and market practice, outlined in the Baltic Exchange's 'Baltic Code' and the Institute of Chartered Shipbrokers' Bye-Laws.

The motto 'Our word our bond' might have a slightly quaint ring about it, but it stands firm and has enormous significance. Those who breach the Baltic's code of conduct, which covers the basic principles of shipbroking and highlights a range of unacceptable practices, are expelled from the Baltic Exchange.



Credit: Baltic Exchange

**While the trading floor has gone, the Baltic Exchange still facilitates broking**

## CLEAN AND CLEAR

Is it fair to view shipbroking as one of the City of London's 'cleanest' institutions?

"Yes, I agree with that. I think we do set standards on integrity and the way we do business. I think we are one of the cleanest," says Guy Campbell, general manager (Atlantic) at the China Navigation Company and current chairman of the Baltic Exchange.

"That goes back to the Baltic Exchange, an institution more than 200 years old. Our code of conduct stands behind what we do and the kind of standard that people trade to in today's market."

He believes that the 'Our word our bond' principle acts as

## 'Bear in mind how mobile our industry is'

The shipping industry is a huge contributor to British business and invisible earnings, but tends to be undervalued, says the Baltic's Guy Campbell.

"It isn't high on the radar in terms of government and politics and in terms of how people regard the insurance and banking industries," he says. "That's perhaps because the shipping market is a smaller entity when compared with those. However, the amount of business that comes to London because of the integrity and history and English law is huge.

"Also, broking companies today have international offices and an international presence – but I would bet that at least 50% of their business is through their London headquarters or office."

He believes that with only relatively few British shipowners and even fewer British shipyards, the industry has lost its place in the pecking order, allowing other sectors and markets to dominate the political agenda at shipping's expense.

"And that is a shame, because ministers have an awful lot to lose if they don't pay close attention to our industry. Bear in mind how mobile our industry is. We have done so much work to sell London and convince people that it is a great place to do business – and things like the [Labour] threat of scrapping non-domicile status puts them off. We would be very concerned about how much might move overseas [as a result]; there would be a big chance that a big chunk of the marketplace would re-evaluate the value of being in London." **SN**



an “informal regulator of an unregulated industry”.

“It carries an awful lot of weight – I am flabbergasted by how important it is, and how worried people are about the threat of being reported to the Baltic Exchange for breaking the code and losing business.”

The Baltic Exchange is the world’s only independent source of maritime market information for the trading and settlement of physical and derivative contracts; according to its website, the Baltic’s international community of more than 600 members encompasses the majority of world shipping interests, and those members are responsible for a large proportion of all dry cargo and tanker fixtures, as well as the sale and purchase of merchant vessels.

Although modern business practice and communications mean that a trading floor is no longer necessary, the Baltic’s global members continue to operate as a shipping marketplace. And with many verbally expressed contracts which are only later confirmed in writing, the motto reflects the importance of ethics in trading.

## COMPETITION COUNTS

Baltic Exchange chief executive Jeremy Penn believes the key difference between shipbrokers and traders in the financial markets is “quite simply that we have a very clear distinction between principals and brokers”.

“In shipbroking, it is clear that competitive brokers are competitive brokers,” he says. “I think we are in a very strong position. The problem with Libor, foreign exchange, oil, and gold and silver is that the people setting the benchmark rates or providing the inputs generally speaking have vested interests in whether the market is higher or lower.

“In the case of the Baltic rates, we are able to ask independent, competitive, commission-earning brokers who invest in the markets to give us their rates on a completely confidential basis, so I think we have a far better chance of an honest index not influenced by vested interests.”

However, he adds: “While I think standards of business ethics in London and among the Baltic Exchange members are high, and we expect them to be high, that doesn’t mean there are not any rotten apples – of course there will be. But I think overall our code is important.”

Traditionally, members of the Baltic had to behave themselves because if they didn’t, they would be very quickly found out, he says. “And of course, it was a trading floor and everyone knew everyone – you would have no future, it was hard to hide. Perhaps it isn’t as effective as it used to be, but I still think the tradition which drove that has carried forward.”

Traditions hold strong but institutions like the Baltic Exchange must also move with the times. The membership has diversified beyond broking in terms of specific activities and has also expanded in terms of geography. However, the Baltic has continued to provide stability, an important benchmark, and transparency, says Mr Campbell.

**“The problem with Libor, foreign exchange, oil, and gold and silver is that the people setting the benchmark rates or providing the inputs, generally speaking, have vested interests in whether the market is higher or lower”**

*Jeremy Penn, Baltic Exchange*

“Although we are still very much part of the fabric of the London and British shipping market, we are no longer a London-centric institution. We are increasingly going international with our new membership. A lot of overseas companies pride themselves in being associated with our moral code and way of doing business.”

## AROUND THE WORLD

There is, he says, global support for the Baltic Exchange. “Decision-making is migrating to the Far East and away from Europe and some of the proposed regulatory changes [MiFID II, for example, which could affect FFAs], could increase that migration, which is not great for Europe or Britain. However, what is good for the Baltic Exchange is that people are recognising the need to remain a member and remain loyal to the brand.”

The Baltic, in turn, has had to develop its presence overseas – it currently has offices in Singapore, Shanghai and Athens, “so we are trying to be more visible from the marketing and membership support function points of view”.

However he says: “Yes, we need to move with the times but we must not forget where we came from and what is the fabric and heritage of the Baltic Exchange. It is really important as membership grows that we don’t lose sight of where we came from and we don’t compromise or in any way dilute the value of the Baltic Exchange and what it stands for.”

The Baltic Exchange is recognised as the world’s leading source of independent maritime market data – its information is used by shipbrokers, owners and operators, traders, financiers and charterers as ‘a reliable and independent view’ of the dry and tanker markets.

**“Although we are still very much part of the fabric of the London and British shipping market, we are no longer a London-centric institution”**

*Guy Campbell, Baltic Exchange*

# Be safe — take a pilot



INTERNATIONAL MARITIME  
PILOTS' ASSOCIATION

[www.impahq.org](http://www.impahq.org)

Mr Penn emphasises London's skill and experience across a very wide range of shipping-related services, with the Baltic Exchange at the heart of that.

"If you are using a broker in London to buy a ship, then you will probably arrange the finance here," he says. "If you have a dispute over that transaction, then you will come here for your litigation or arbitration. There is this enormous depth of skill and experience here, and that is what people look for.

"London is the first port of call for any real business. Yes, the day-to-day mechanical business can be done elsewhere, but if you have something big and complex and difficult and perhaps new, you would come here to do the business."

## PROTECTING SHIPPING

London remains an attractive city to live and work in – and there is concern about the need to protect that.

"While we remain optimistic, it is also worth making the point that politicians have to understand how mobile global business is these days. They have to work very hard to make an attractive environment for people to live and work and base their businesses here," says Mr Penn. "In that broad picture, if you fail with that then the UK will become less significant as a centre."

What, then, does the future hold for this venerable institution? Mr Penn says: "When I go to China, I get asked, in Shanghai particularly, what should we have as

we build our maritime services centre? I go through the list of skills and activities – shipbroking, ship finance, insurance, and so on. And they quite often finish by saying: 'and a Baltic Exchange?'

"I say to individuals – no, you don't need a Baltic Exchange, because we are the Baltic Exchange for everyone and our goal is to be completely engaged and serving the worldwide market. We are absolutely committed to serving the global shipping market in all its locations."

**SN**



Decision making is migrating east to places like Singapore

Credit: Baltic Exchange

## The importance of personal contact

Whoever suggested that computers would make the role of the broker redundant?

Yes, brokers have had to evolve with the times, reinvent themselves, diversify, add value ... but an important lesson learned in the mid 1990s was that this is a very interpersonal industry, says Baltic Exchange chairman Guy Campbell.

"London has had to be more competitive, but I don't agree with any suggestion that personal contact isn't important, that brokers are dinosaurs, that it can all be done via the internet.

"There is an awful lot of information you can't glean from a screen, and people value their brokers."

Clients do have higher expectations of brokers, he says – not all of them are looking for a one-stop-shop, although that's offered by the larger conglomerates – but certainly brokers are becoming more diversified, offering more research, analysis, intelligence, and so on, "and that is truly valued", he says.

The Baltic's Jeremy Penn agrees: "Brokers have been proven to provide a valuable function that can't be replicated by a computer," he says. "They negotiate, they represent, they discuss the market, they persuade; and computers can't do that."

And as with so many industries, the diversification versus core focus cycle will go full circle. These things tend to ebb and flow – and not in unison across the market, says Mr Penn.

One company with earnings from direct brokerage down might look to get income from other activities.

Another may take the view that they are a specialist shipbroker and will retain that focus, living with the bad years and not being distracted by other activities.

"You will find that there is not even consensus across the market at any one time," he says. "Also, a company might adopt one view now and may well adopt a different view in five years' time." **SN**



Credit: Baltic Exchange

**"Brokers have been proven to provide a valuable function that can't be replicated by a computer"**  
*Jeremy Penn, Baltic Exchange*



# Making a full and fair assessment

Jeremy Penn explains how the Baltic Exchange indices have risen above rate-rigging scandals



Jeremy Penn

Little did the Baltic Exchange know back in 1985 when we launched the Baltic Freight Index quite how influential our spot market assessments would become.

What started as a basket of 13 voyage routes covering cargoes from 14,000mt of fertiliser up to 120,000mt of coal, soon won worldwide acceptance as the most reliable general measure of the dry cargo freight market. Tanker assessments, more dry bulk assessments, S&P numbers and forward curves

**Topic: Assessments**

**Keywords: Benchmarks, freight, risk management**

**Background: As it celebrates the 30th anniversary of its indices, the Baltic Exchange remains alert to maintaining the integrity and accuracy of its figures**

followed over the next 20 years. Today shipbrokers working for 42 companies make 1,051 returns every day. Our numbers today are published from London and Singapore throughout the day and are used around the world.



The Baltic recently introduced a new standard capesize vessel to its indices

A reliable and independent set of benchmarks has enabled the industry to build robust risk management models. Forward Freight Agreements are now very much an everyday part of the shipping markets, the equivalent of around 30,000 timecharter days are now traded weekly in the dry market and we estimate that around a third of all period charters are linked

to an index. The Baltic assessments are used by owners and charterers to assess market levels and trends; to settle disputes not to mention by a huge range of journalists and economists trying to make sense of the complex bulk shipping markets.

## ROBUST REPORTING

None of this would be possible if the industry did not accept the robustness of our reporting methodology, the quality of our panel members and the strength of governance structures. Fundamentally, the Baltic Exchange provides independent assessments based on returns by independent shipbrokers. No principals sit on our panels and we ensure that all our panel members are regularly audited. Bulk freight rates for seaborne trade are a particularly niche 'commodity' to assess, given the specialist knowledge required to assess the variations in vessel types, speed and consumption, ports and numerous other factors. Only a shipbroker at the top of his or her game can provide assessments.

Earlier this year, the Baltic Exchange published a revised and updated Guide to Market Benchmarks, the successor to its Manual for Panellists. The document sets out with great precision how the Baltic Exchange arrives at its assessments.

The publishing of the document was in response to the *Principles for Financial Benchmarks*, a document issued by the International Organisation of Securities Commissions (IOSCO) in the wake of the London Interloan Bank Offered Rate (LIBOR) scandal. Rate-rigging has caused international financial authorities to look very carefully at any organisation producing financial benchmarks.

In reality, the new guidelines do not constitute any real change to the Baltic Exchange's reporting model, but simply tighten up some of the structures and governance mechanisms. IOSCO has set out recommended practices in respect of methodology, transparency and governance arrangements. These broadly reflect the Baltic's long standing practices, but in some respects our governance arrangements have been overhauled to ensure full compliance with the guidelines.

From macro-economic indicators produced by public bodies covering consumer prices to commodity indices produced by news agencies which use the underlying prices of traded products, indices come in all sorts of shapes and sizes.

The principles seek to ensure that any market benchmarks used for the purposes of settling financial transactions are produced in accordance with rules which ensure their quality, integrity, continuity and reliability. The Baltic has recognised the importance of all these aims from the inception of its activity in this field.

Importantly, the principles recognise that, while they provide a 'framework of standards', these can be "met in different ways depending on the specificities of each benchmark".

**"The Baltic Exchange has a 30-year track record of providing reliable and accurate data for the shipping industry"**

## REFLECTING DIVERSITY

From inception, the Baltic and its panellists have recognised that the world of merchant shipping is extraordinarily complex, varied, and frequently very opaque. The way in which we produce our indices has been developed with due regard to this knowledge and understanding.

Shipping contracts are private transactions between two parties. Contract terms are not standardised. The full terms, and the exact time and date of transactions are only known, with certainty, to parties involved. Rates and prices may be agreed subject to other conditions being fulfilled. Individual transactions are often of high value but may be very infrequent. By the standards of financial markets, shipping markets are illiquid. There is no obligatory reporting requirement for transactions and much remains unreported. Yet markets are highly volatile and may move significantly in very short periods of time.

In addition, ships exist in a very large number of different types and sizes. The value of variances in design and performance of ships relative to a standardised benchmark varies from trade to trade, and in relation to other key inputs such as bunker prices. The quality of maintenance of ships and the creditworthiness and competence of shipowners may be a factor in the value the market places on a particular ship.

The same class of ship may carry a range of cargoes on a great variety of routes. Different ships, different trades, different cargo sizes, and a myriad of different contract terms can all have a bearing on how individual transactions can be related to standardised market benchmarks. Different market participants may well place differing values on these variants.

## IN CHARACTER

The Baltic Exchange recognises the principle that the rationale for its methodology has to be consistent with the character of the shipping market.

However by taking the appropriate care the Baltic Exchange is able to ensure the daily route assessments provide a fair valuation of the current market.

The Baltic Exchange's indices and assessments continue to evolve with the shipping markets. Last year saw the introduction of a new standard capesize vessel and work is currently underway on the supramax description. Revised tanker benchmark specifications came into effect at the beginning of May and we recently ceased reporting on TD16, our Black Sea to Mediterranean crude oil route.

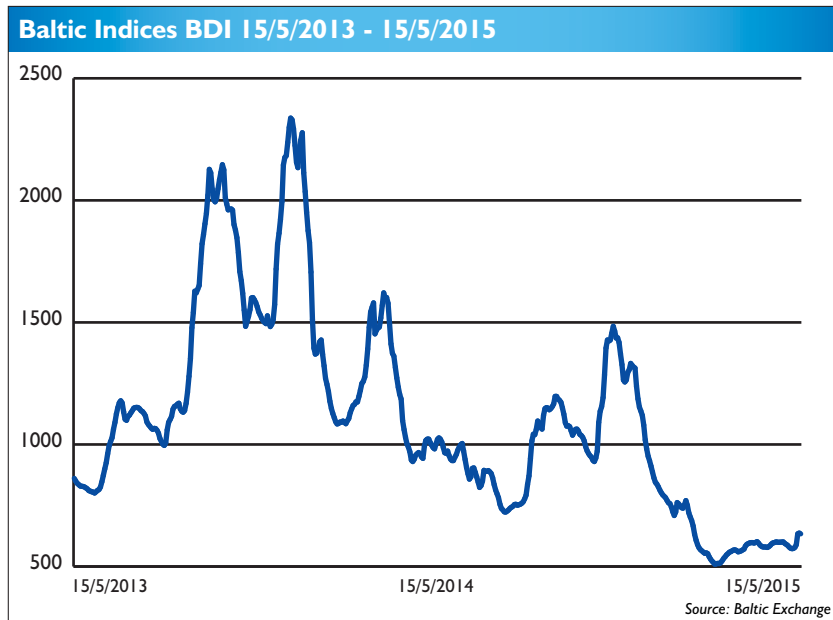
The Baltic Exchange has a 30-year track record of providing reliable and accurate data for the shipping industry. We will continue to ensure that our information remains at the heart of the markets. **SN**

A copy of the Baltic Exchange's Guide to Market Benchmarks can be freely downloaded from [www.balticexchange.com/dyn/\\_assets/\\_forms/guide-to-market-benchmarks.shtml](http://www.balticexchange.com/dyn/_assets/_forms/guide-to-market-benchmarks.shtml).

Jeremy Penn is the chief executive of the Baltic Exchange.

**“No principals sit on our panels and we ensure that all our panel members are regularly audited”**

**Industry and non-industry professionals use the Baltic Dry Index as a yardstick**



## Shipbroker celebrates successful commission claim

A recent successful claim supported by the International Transport Intermediaries Club (ITIC) led to a shipbroker receiving commission for a ship sale. The commission had been withheld after the broker was wrongly accused of incompetence by a shipowner.

The shipbroker had entered into an exclusive commission agreement with a shipowner, which provided for commission of 5% to be paid to the broker on the sale of any of its fleet of vessels, even if sold through another broker.

The broker heard that two of the owner's ships had been sold through another broker for €3.3m each. The owner refused to pay the broker's commission of €303,000, lawyers were appointed, and the commission claim was brought before the courts in January 2013. The court found for the broker and awarded it the commission of €303,000, plus interest and costs.

The owner appealed the decision at the Supreme Court, alleging that the broker who had initially handled the sale had been incompetent. The owner also involved the local shipbrokers' association in an attempt to demonstrate that the broker's employee had fallen short of industry standards. The local association responded in favour of the shipbroker to the allegations of incompetence posed by the shipowner.

Before the expense of a trial in the Supreme Court had been incurred, the owner approached the broker with an offer of settlement at the commission amount of €303,000 without interest and without the payment of costs. The shipbroker was willing to forgo the interest, and settlement was agreed at the commission amount of €303,000 plus the costs awarded by the first instance court of \$32,300. The costs incurred in the early stages of the Supreme Court proceedings were waived. **SN**

# Broking in every corner of the world

*Shipping Network* asked a selection of the Institute's global branches for their perspective on shipbroking in their region



## Regional aims with an international flavour

*By Captain Harihar Prasad, Middle East Branch*

When talking about the commercial hubs of shipping, New York, London and Singapore dominate the market. Shipbroking businesses catered to these cities, and were set up in or around them.

As the centre of oil exports, it was a matter of time before shipbrokers set up in the Middle East region to be closer to the largest oil producing nations.

Even though today's advanced communications have made distances and time zones largely irrelevant for negotiations, commercial shipping has always been a personalise business and it is here where being in the same region or time zone has a distinct advantage.

Moreover, the Middle East enjoys the advantage of being in the centre of the shipping time zones: a slightly early morning keeps a broker synchronised with the far eastern (Singapore) market, while a slightly late finish allows contact with the western market (New York) and London fits in quite easily in between. That allows the regional market to expand to an international one.

Outside of the shipping of oil, the Middle East also offers business

in dry cargo, offshore, chemicals, projects and freight forwarding. It is also close to the Indian subcontinent which is one of the biggest and fastest growing markets today in all shipping segments.

In the Middle East, Dubai is the city that can be described as the home of commercial shipping, with ship charterers and ship owners, and consequently shipbrokers, in residence. The Emirate's now burgeoning maritime sector offers ease of trade and business. It also offers a liberal expatriate lifestyle that attracts good ship brokering talent from around the world.

Over the years, many of the international shipbroking companies have set up offices in Dubai, alongside the numerous smaller local companies that cater to local clientele. Big or small, they have all found their niche business.

While we do not expect Dubai or the Middle East to become a contender as a major commercial shipping hub, the region has carved its own commercial shipping market presence and continues to thrive on the support of regional clientele, who appreciate being professionally serviced from the region by those with a worldwide reach. **SN** *Captain Harihar Prasad MNI FICS is managing director of McQuilling Dubai and a committee member and projects team leader for the Institute's Middle East Branch.*







## Supporting Chinese broking ambitions

By YK Chan, Hong Kong Branch

I read the Institute's centenary book 'Quality Ashore' and was quite impressed with the achievements of our predecessors in the past century. To seal a deal was not an easy job. A shipbroker needed to have a wide international network and know the top people in shipping companies and/or trading houses. Experience and knowledge were equally important to serve clients, mainly because clients relied a great deal on shipbrokers to give them advice and guidance. Those same principles are still applicable today.

Modern day practitioners need to have profound knowledge with practical experience to pass the Institute exams with distinction. Once they have passed the exams and demonstrated sufficient work experience they can apply to become a member of the Institute. But that is the starting point. All practitioners are required to further strengthen their knowledge by attending seminars and courses organised by various organisations, and through regularly reading of industry magazines and journals.

An Institute qualification is not a must for people working in shipping industry, but it is an internationally recognised professional qualification. Institute members can network with their peers at the same level and do business on 'Our word our bond', which demonstrates the integrity of members.

The booming economy in China has led to many business opportunities there, namely newbuilding orders, sale and purchase of second hand ships for trading or for demolition, import and export of cargo, chartering activities and so on. All of these opportunities involve

shipbrokers and consequently many international shipbroking houses have set up their representative offices in Shanghai in partnership with local shipbroking firms.

There is an insatiable demand for young people to join their teams and just a few years into their employment, these young employees often strive to set up their own shops as commissions can be substantial and attractive.

However, such a short employment cannot give these employees sufficient knowledge or the confidence of their clients to work independently and effectively. Here, the Institute can offer what they may be lacking. Membership of the Institute can signify that they have achieved a certain basic standard of knowledge and gives them the opportunity to network with their peer members in the region and other parts of the world, whether by email, phone or through meeting at conferences.

As part of an international professional body, the Hong Kong Branch is keen to play a role in connecting the shipbroking firms of Hong Kong. The branch has set up a public relation committee to pay visits to the companies and to promote the Institute to their staff. Our hope is that those shipbroking firms will become supporting members of the branch.

Our Young Members Group also promotes the Institute to shipping students in local colleges/universities, drawing the attention of the young generation to the industry. Additionally, with the development of the Institute programme in Taiwan and a Training Centre in Shanghai, the Hong Kong Branch is looking to further develop shipbroking and shipping related circles in Greater China. **SN**

*YK Chan FICS is the chairman of the Hong Kong Branch.*



## Broker's battle with Yemen bound cargoes

By George Matheson, Australia/New Zealand Branch

The Middle East has long been a lucrative market for Australian wheat producers and traders. However with the recent rise in political unrest in Yemen intensifying, it is set to challenge shipbrokers fixing inbound cargoes into an unsettled Yemen.

It has nearly been a decade since the Yemeni Defence Ministry declared the death of Hussien al-Houthi, a radical cleric who left behind a group of followers in the province of Saada and the country's capital, Sana'a.

The rebel movement known as Houthis, has since become a formidable militia in control of an increasing mass of the country, including the country's main seaport of Aden that along with other vital grain ports such as Saleef, welcome approximately 750,000 metric tonnes of Australian wheat per annum. When Aden was recently engulfed by violence and some of its grain silos set ablaze, this rapidly got the attention of shipowners that service the region. Discussion and debate continues from various governments and owners' P&I clubs whether or not Yemen is a war zone area, despite to at the time of writing it not yet being officially declared a war zone by the UN and regional governments.

The Yemeni people depend on foreign producers

to meet their wheat consumption needs, thus shippers of wheat cargoes are still experiencing high demand. The challenge is finding owners who can provide competitive freight rates that don't excessively reflect the premiums associated with the nature of this business including additional war-risk insurance payments, armed guards and further vessel hardening measures.

Shipowners who would typically accept this business are also being restricted by their P&I clubs, who are requesting the CONWARTIME 2004 clause be added to their charter parties which allows the owner to refuse entry to the region if they consider it likely to be exposed to war risks.

There are quite a few drivers that could counterbalance the opportunity cost of calling at Yemen, such as very low bunker prices, the current oversupply of vessels in the market and a reduced demand from China, which all have contributed to the lower freight rates seen globally and the need for owners to secure exclusive Yemen-bound cargoes. For brokers the driver is the opportunity to bolster lower commissions, which have suffered with poor freight rates.

Brokers with forward booked cargoes to Yemen are also finding it very difficult to find tonnage as the situation in Yemen is showing no signs of abating in the short term. To add to the already difficult task of sourcing willing Yemeni bound tonnage, the South Korean government has recently banned its owners from calling at Yemen ports on concerns for the immediate safety of the crew and vessel. For every broker with Yemen opportunities, the hope is that further governments don't follow suit. **SN**

*George Matheson is a dry cargo broker with Braemar ACM Shipbroking in Perth and a member of the Australia and New Zealand Branch.*



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## Change afoot in the modus operandi

By Mark North, Australia/New Zealand Branch

Coming off the back of a shipping supercycle it is interesting to look back on the journey that shipbroking has been on. Shipping is possibly the largest industry in the world and it is surprising that its service sector is made up of relatively small companies.

The largest does not even have a capital value of \$1.5bn and in value terms the next three are probably hovering around the entry level for small cap businesses by stock exchange standards; compare that with the service sectors of other major industries.

Clarksons' acquisition of RS Platou is a major step in consolidation, as is the Braemar/ACM merger.

During the 1970s and 1980s, shipbrokers' markets were mainly where they were domiciled. But during the 1990s, European-based shipbrokers started to work the wider markets in Europe. That has now culminated in predominantly European shipbroking groups with multiple offices working virtually all the markets worldwide.

Clients now expect shipbrokers to be direct with both parties in the transaction, with inevitable conflicts-of-interest issues, and this has led to fundamental changes in how shipbroking works and is viewed. As part of this process, household shipbroking names have either disappeared, merged or been acquired. Many shipbroking companies are struggling with cost and remuneration overhangs from the boom times. This continues to drive the consolidation process forward as over-rewarded mediocrity is squeezed out.

On the back of the 2003-2008 markets, the perception of shipbroking tended to move towards noisy, deal-volume-driven trading floors and away from the client relationship-focused style of businesses that was prevalent before. However, information, experience, reliability and discretion remain the key ingredients that most clients expect. Does the industry still generally provide that?

Not surprisingly, the less clients feel they are serviced by their brokers, the more brokers they will need to talk to.

Evolution is constant but with less shipbroking companies now in existence the shape of broking in this sector is going to be driven by a narrower range of players, with many opting for the security of a larger business.

So what should brokers' clients worry about? Centres like Europe, with the right level of knowledge and skills in broking, are not necessarily where future shipping growth will be. Exporting talent from European shipping centres to other developing markets like Australia is not a long-term solution. Shipbrokers need to create a local infrastructure rather than rely on a transient labour force.

Over-regulation and over-taxation in some countries and the reverse elsewhere can also be an issue for both owners and shipbrokers, which does not create a level playing field.

Shipbrokers should be concerned that today some clients may have less respect for their skills and integrity. They also need to be aware of poor quality management and employers who do not have a medium to long-term view of a shipbroker's performance and clientele through the market cycles.

Of course, different shipbroking firms have different formulas for how they operate. In Australia, it's very much about the core principles of understating the needs of charterers and owners; experienced qualified brokers; service first; and priority that is given to customer service rather than pursuit of market share or stock market performance. **SN** Mark North MICS is a tutor and a member of the Australia/New Zealand Branch. He is also a shipbroker with Thurlestone Shipping in Perth

**“Many shipbroking companies are struggling with cost and remuneration overhangs from the boom times”**



## Unique dual approach to training

By Juergen Sommer, Germany Branch

Historically, many people have tried to change the working method of shipbroking. Just 15 years ago, so-called experts predicted the end of the shipbroker tendering for business in a traditional way.

The process of matching business with the right vessel, negotiating the main terms and the details of a fixture, and issuing the contract should by now be semi-automated and taking place on special internet platforms, according to the 'experts'.

But while the internet has developed dramatically and networking platforms in various different fields of activity have sprung up, shipbroking remains a conservative business between human beings.

Of course, the means of communicating have changed and became much faster, moving from telex, to the facsimile, to the present use of emails and instant messaging. But irrespective of the geographical location of a shipbroker, the mode of working for a shipbroker remains the same. To a large extent this harmony is the result of improved worldwide training for members of this industry.

For Germany, this includes the application of the unique German Dual Vocational Training with its practical requirement to work in a shipbroking office and its theoretical requirement to attend a vocational school.

In almost every other country the route to becoming a shipbroker

is to train 'on the job'; in Germany trainee shipbrokers have to undertake an apprenticeship of two to three year duration. During this time, the trainee joins every single department in the company from the telephone switchboard/ reception, accounting and marketing departments to the chartering and post-fixture/operating departments in order to get the full picture of the job of a shipbroker.

In addition, trainees are expected to visit a vocational school twice a year in so-called 'lesson blocks' to complement the practical part. In school, the basics of chartering and operations, as well as accounting are taught. Trainees can also chose to attend the school twice a week, rather than twice in the year but the latter lesson block has proved to be more attractive to companies, as there isn't a permanent interruption to day-to-day tasks. Training in different departments allows trainee shipbrokers to develop skills in the various sectors and gives them a better understanding of the roles of colleagues.

Regardless of the method of training, shipbroking is the cradle of globalisation. Cultural differences between shipbrokers from all corners of the world are becoming less obvious as we work closer and closer together. When we contact a foreign shipbroking counterpart, it's no longer just a business discussion; it's an opportunity to meet and to learn something of his/her culture, leading to increased tolerance and a better understanding of other peoples' lives. **SN** Juergen Sommer is managing director of Shipping & Chartering in Germany and is a member of the Germany Branch.



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# It began with mead, medals and mottos

Andrew Lansdale takes a trip down memory lane to determine the history of shipbroking



Andrew Lansdale

While the Institute of Chartered Shipbrokers was established at the beginning of the 20th century, shipbroking in England has its roots way back in Tudor and Stuart times. Traders and merchants gathered together in their favourite meeting places to discuss business, usually in taverns. In those days, sanitation was rudimentary. The River Thames in London was little short of an open sewer and the water was fatal to drink.

In order to maintain their fluid levels the population drank very weak beer. The alcohol level was very low but, because it had been boiled during the brewing process, was suitable for drinking. And meeting places serving beer such as alehouses or taverns were convenient to conduct business. Reports suggest that the better-off clientele drank wine from the continent in such places.

In the 1650s, coffee was introduced into the country and coffeehouses sprang up while taverns also switched to serving coffee. By this time, the City of London had already become a hive of international business activity. Brokers engineered many of the deals between buyers and sellers and between merchants, traders and shipowners. There was no qualification whereby the principals were able to judge the worth of a particular broker. It was recognised that some were not always universally highly regarded.

In the City of London, some of these coffeehouses became famous institutions. Among these were the Baltic Exchange for shipping, Lloyd's of London for insurance and the Stock Exchange for stocks and bonds. In the West End of London, coffee houses often became Gentlemen's Clubs. By 1739, there were more than 550 coffee establishments in London.

In 1744 the Virginia and Maryland coffee house changed its name to the Virginia and Baltick (sic) coffee house. This reflected the developing trade with the Baltic Sea area in addition to the new world, and was where the Baltic Exchange was founded.

**“To protect the reputation of the City of London, the Aldermen were forced to curb the more nefarious activities being undertaken by brokers”**

## BROKERS AT PLAY

To protect the reputation of the City of London, the Aldermen were forced to curb the more nefarious activities being undertaken by brokers. In this endeavour they limited the number of brokers to one hundred. These were mainly Englishmen but there were also a few London-domiciled foreigners. Each was given a silver medal to demonstrate their station in the City. This they hung around their necks on a broad ribbon similar to a badge of rank.

Those admitted to this exclusive group were obliged to swear an oath before the City Council that they would deal justly and fairly on behalf of their respective principals. From this formal procedure came the expression, Sworn Broker. They were identified by their certificates of registration and by the silver medals they wore during the conduct of their business, all awarded by the City fathers.

The system continued for more than two hundred years and it is not clear why the practice died out. Almost certainly, it became outmoded because of the development of institutions which exercised self-regulation such as the Baltic Exchange. Its motto 'Our word our bond' dictating the behaviour expected of its members.

Of the silver medals with which the suitability of brokers was first affirmed, there is little trace. One is in the possession of the Baltic Exchange. It was presented to a broker, one Andrew Duncan, probably more than 200 years ago.

In other countries, shipbroking goes back even further than in London. The Cosulich family have documents in their possession tracing commercial dealings back to the thirteenth century in Trieste and in Venice. **SN**



Shipbroking has a long and colourful history

# Avoiding the curse of the banking sector

Tony Dixon asks how shipbrokers have managed to avoid the negative connotations of being a broker



Tony Dixon

Sir Winston Churchill famously commented, "Never trust the bankers". If for 'bankers' we read 'financial services', could the world of shipbroking fall in to this same category of mistrust? After all, Wikipedia defines shipbroking as "a financial service which forms part of the global shipping industry".

It used to be said that shipbroking remained less regulated because it wasn't involved in offering services to the general public or to individuals. In addition it was considered that ethics and commercial business codes were dealt with by bodies such as the Institute of Chartered Shipbrokers and the Baltic Exchange.

## ● Topic: Credibility

**I** Keywords: Trust, relationships, regulation

**Background:** The shipbroking world continues to perform better than the heavily regulated banking and financial sectors

These organisations had requirements of professional behaviour and ethics by their members reinforced by the motto 'Our word our bond'. Disciplinary procedures existed and, for the Baltic, the ultimate sanction of recalcitrant parties was being 'posted'.

However, in the world we now live in is this sufficient to ensure that the status quo of correct business behaviour is maintained and observed in shipbroking terms? More importantly how are perceived levels of trust and 'bona fides' maintained when other sectors of the business world are struggling to restore credibility in every sense? How have shipbrokers, if they have, distanced themselves from the doubt and mistrust which many sectors of the financial services world are facing? There seem to be more questions than answers.

## COMPETITION COUNTS

For shipping markets, keen competition itself has long been seen as a natural arbiter of 'fair play' and a contributing factor in maintaining a natural and logical control of broking ethics. Certainly for shipbroking companies, the drive to beat the competition is an important element in providing a service to clients that will make the difference in obtaining their business. But this cannot be at any cost as this may affect reputation, as we have seen in the financial and banking worlds.



Winston Churchill's mistrust of banks came to bear

Providing high levels of service and knowledge can in themselves underpin the perception of reliability and, in turn, levels of trust. The levels of service can be a sum of many parts and, particularly for larger shipbroking companies, a continuing challenge to extend and improve the coverage and content of information they provide. However, is this enough?

In many cases, particularly with major charterers and trading houses, brokers are expected to earn their place at the table and new or fledgling shipbroking companies may have to wait some time for their standard of service and quality of market information to be determined. Periodic review of broker services will subsequently form part of an ongoing appraisal of comparing brokers.

In the longer term, a number of common aspects can be seen as a feature of shipbrokers maintaining a successful working relationship with clients. The relevance of these may vary from broker to broker and company to company. Some, however, are key factors and are essential in countering negativity by building and maintaining lasting trust and sound business relationships.

Trust is the essential component for a positive working relationship. Ranking alongside this is transparency and the maintenance of goodwill with clients. So often we have heard

**"Trust is the essential component for a positive working relationship ... ranking with this is transparency and the maintenance of goodwill with clients"**



said that it takes a long time to build a reputation but only moments to destroy it. In shipbroking this is often compounded by the personal levels of involvement that individual shipbrokers develop with their clients which may or may not always accord with company requirements and image in terms of the bigger picture.

### BUILDING A REPUTATION

If reputation is a critical factor in assessing standards required of shipbrokers in order to avoid negative connotations, what are the components of this sometimes elusive element? Although it can be considered an intangible quality, there is no doubt that if reputation is effectively established it will play a major part in building and supporting healthy client relationships. Of course business does not magically flow from this, but a strong foundation is needed if long term commercial success is to follow.

Perception can also be a key factor in assessing levels of trust and is often conveyed by image and how a shipbroker and/or his company present themselves to the outside world. If image is the glossy exterior of reputation then what are the determining factors which support this? Can image be created by deft use of marketing skills and promotional efforts alone? After all, it is said that image is not what leadership insists it to be but what others perceive it to be.

In this respect shipbrokers seem to be ahead of the curve in contrast to the calamitous negativity today associated with the banking and financial world. Many of the skills for creating trust with clients and providing confidence in a client relationship have been present since the beginnings of shipbroking.

Volatility in shipping markets is seen as a traditional fact of life by those involved and this has helped buffer what otherwise may have been a similar calamity to those engaged in financial services. In shipping you have to live through poor and difficult market times in order to hone your skills. Indeed when contemplating a new shipping start-up a positive outcome is more likely if the challenge is to build up from difficult or depressed markets levels; in other words the only way is up.

The importance of preserving commercial and client confidences is another example of skills which are well understood by the majority of brokers. Increasingly, particularly with the emergence of larger global shipbroking groups, there is recognition of the value of nurturing employee skills and providing high levels of job satisfaction. Often this is through the creation of strong team players, who can still benefit from their individual efforts and results all the while contributing to the bigger market achievements of a team.

This level of commitment from employers relies firstly on the creation of stable and financially sound companies. This requires capable management and the creation of a resilient company structure. Treating staff well and recognising the value of the individuals as people is also a major factor.

**“Volatility in shipping markets is seen as a fact of life by those involved and this has helped buffer what otherwise may have been a similar calamity to those engaged in financial services”**

### TRAINING OPTIONS

Likewise, the need for training and education is increasingly recognised as an essential component in the development of a successful and professional broker. A combination of in-house training and knowledge skills allied with a sound shipping education and qualification such as provided by the Institute of Chartered Shipbrokers is a major factor in raising broking standards and demonstrating competence and sound knowledge.

Looking at the website of one of the world's largest shipbroking companies, it emphasises the need to nurture and recognise the potential abilities of shipbrokers by developing them as people. It summarises in a brief quote much of the answer to our initial questions when it says: “In addition to hard work and commitment, you will need to have the right skills and personality – at the end of the day as much as being about ships, ours is a people business.”

Indeed, that comment summarises the unique selling point of shipbroking. Technology, communications, globalisation and other changes have served to alter the basic ground rules for many sides of commerce and finance – but significantly not always for the better as recent years have demonstrated.

With a unique combination of traditional skills and values, combined with sound education and training, brokers have been able to adapt yet again in a changed business climate to serve the shipping community well. Not necessarily the best of all worlds, but certainly a strong force for deflecting any question of ‘negativity’ when the role of a broker is considered. **SN**  
*Tony Dixon FICS is a past chairman of the Institute and a former director of Braemar Seascope.*



**Shipbrokers have managed to avoid the scandal surrounding banking**

# A seat at the negotiating table

Revd Canon Ken Peters discusses the nuances of broking a deal for the well-being of seafarers

**B**roking is a normal concept within the shipping industry. Indeed it is the system that underpins the carriage of goods at sea. But it is not only ships and cargo that are the subject of broking.

In the world of seafarers' well-being it is often the case that the port welfare chaplain takes on the role of broking or arbitrating between those involved in the seafarers' employment agreement. What is often thought to be straightforward is in fact subject to widely differing interpretations and life for seafarers becomes very difficult if it is claimed there is a conflict in law. The Maritime Labour Convention, 2006 (MLC) has done much to remove confusion regarding the terms and conditions of seafarers' employment but there is still room for misunderstanding, conflict and dispute.

The MLC itself was the subject of much negotiation.

The MLC is a comprehensive international labour convention that was adopted by the International Labour Organization (ILO) under Article 19 of its Constitution. It sets out seafarers' rights to decent conditions of work and helps to create conditions of fair competition for shipowners.

The process of negotiating within the ILO necessarily entailed delicate and complex deals between the parties concerned, namely, the employers' representative International Shipping Federation; and the employees' representative being the International Transport Workers Federation. They also had to duly consider of course what their member governments could accept, especially in the social security provisions of the Convention.

## UTMOST GOOD FAITH

In this case the negotiations were sometimes difficult and sometimes there were common goals. In all negotiations there is an assumption that parties are seeking outcomes in 'uberrimae fides' or utmost good faith. Cargo needs to be transported from 'A to B' in good order and on time and seafarers need to be employed with decent living and working conditions. In broking one, the other is inevitably affected. A well-trained, and happy

crew on a good quality ship will deliver cargo according to expectations and in turn shipowners take good care of the crew. This outcome is what everyone wants. Interests coincide and so broking such a deal is straight forward.

It is when unrealistic demands are placed upon the contract that brokerage becomes difficult. When any one party believes the other is being unreasonable then negotiations fail and the principle of brokerage ignored. This is characteristic of frustrated contracts. When dealing with seafarers, a frustrated contract

can lead to serious difficulties for the individual. Their livelihoods are at stake, and their well-being and that of their families, can be compromised. This is when The Mission to Seafarers can act to bring seafarers and employer together, to work out differences, apply reason and seek speedy resolution.

Within the terms of the MLC it

is envisaged that seafarers will seek to resolve difficulties by utilising the on board complaints procedure (regulation 5.1.5). Clearly there are circumstances within which seafarers will claim this provision is totally inadequate. When there is a lack of confidence and a belief that there is no 'utmost good will', seafarers utilising the on board complaints procedure will have little or no belief that lodging a complaint with their line manager will resolve a dispute.

All too often it is the seafarers' senior officer that is causing the problem. In this case the seafarers will almost inevitably turn to the 'onshore seafarer complaint handling procedure' of regulation 5.2.2. for resolution of the problem.

## MAIN ATTRACTION

Seafarers will seek out those whom they trust for help. It is the independence and integrity of the port welfare chaplain that attracts seafarers. It is the belief that the chaplain will bring to the negotiation a fairness that will broker a deal which recognises the rights and responsibilities of all involved.

It would be disingenuous of any party to engage in any discussion with the intent to produce an agreement that is set aside at the time when it becomes an encumbrance to a party



Revd Canon Ken Peters (centre) has faced difficult negotiations in the past

Credit: Lotseemann



There is a reluctance to recognise the importance of seafarers

achieving their goal. The agreement therefore depends upon each party negotiating in good faith. Without this intent the underlying principles of shipping are brought into question. In a world that is intent upon 'dotting i's and crossing t's', when surrounding contracts in 'small print' is the norm and where the principle of 'Our word our bond' can no longer be taken for granted, brokerage is an essential tool in seeking a common undertaking.

In all walks of life the fear of litigation is stifling negotiations that are so often bogged down in the minutiae. Everyone knows that seeking agreement in principle is easy enough on so many occasions but it is often said that, 'the devil is in the detail'.

In times when the well-being of seafarers is beginning to be recognised as the key to best practice in the management of shipping companies, I often contemplate why it is that we have to resort to law, notably the MLC, to maintain seafarers' rights, for the things that we take for granted ashore. It seems that afloat there is a reluctance to recognise seafarers as the most important asset that a shipping company has.

When this is in doubt, and seafarers feel the need to complain, brokering a deal that is acceptable to all can be difficult. The labour supply, at least for ratings, is such that there always seems to be an ever cheaper source. The downward pressure on wages must be guarded against and the ILO minimum is the basis for negotiations. Providing there is the desire on the part of each party to broker a deal, the outcome will be satisfactory to all.

### TRIUMPH IN BROKING

Decent living and working conditions is the aim of the MLC and agreement on this has been achieved through a number of years of delicate and sometimes difficult negotiations. The end product is a triumph of the process of broking. So much so that the unique features of the Convention could provide a framework for future conventions that need the agreement of several parties to bring into effect.

There needs to be the understanding that the MLC has brought into effect a raft of minimum standards that are applied to the living and working

conditions for seafarers. It is not a surprise to anyone that such negotiation can only bring into effect such basic agreements. Set the bar too high in terms of standards and the result will be that not enough states will ratify the Convention for it to enter into force. Aim for a lower and looser agreement and no progress will be made towards improving the lives of seafarers while they are at sea. This in effect is the basis of all brokerage; make compliance too tough and it will never see the light of day because if the regulatory burden is significant member states will not accept the cost of reform.

Conversely, no member state wants to bear the criticism of being too lax on substandard operators. Being risk adverse helps create a culture of best practice while not encouraging business detracts from potential revenue. This is the balance to be struck. In times when freight rates are high much can be spent on seafarers' well-being but when there is economic austerity the temptation is to cut back on the spend relating to the non-fixed costs of shipping and the biggest part of this is seafarers' costs.

It is hoped that the return on investment in seafarers' well-being is an enhancement to competitive advantage. When seafarers are cared for, productivity is higher than for those substandard operators for whom there are difficulties in recruitment and retention. Seafarers who receive loyalty from their employers respond with offering a much better standard of work, adopt the corporate culture, and offer far better long term loyalty and commitment. These characteristics that cannot be easily identified or are not immediately reflected in the balance sheet are the very things that broking a deal needs to be cognisant of. Offer the right climate in which seafarers can thrive and the company benefits significantly. Ignore seafarers' well-being and any deal that is struck will fail the expectations of the company in the return on their investment. **SN**

*The Revd Canon Ken Peters is director of Justice and Public Affairs at The Mission to Seafarers.*

“When seafarers are cared for, productivity is higher than for those substandard operators for whom there are difficulties in recruitment and retention”



Good treatment of seafarers can enhance competitive advantage

Credit: Lotseemann



# Pay heed to a firm focus on the fleet

Richard Scott asks how long before China becomes the world's number one shipowner



Richard Scott

One striking feature is common to most of China's maritime activities: rapid expansion. The fleet of ships operated by owners based there is a good example. China-owned bulk carriers, tankers, containerships and other vessels are increasingly prominent on global sea routes and in the world's ports. These ships now comprise the third largest fleet by ownership and control nationality, exceeded only by Greece in the top slot and Japan in second place.

A continued strong upwards trend can be anticipated. Many new vessels are on order at shipbuilding yards and more secondhand purchases may be seen as well. Accompanying this perception of further growth is the expansion of China's seaborne trade. Chinese leaders would like to see a greater proportion of the country's seaborne imports and exports carried by ships owned by mainland-based companies.

The China-owned merchant ship fleet has more than tripled in size during the past ten years, a remarkable performance. As shown by the graph, total carrying capacity rose from 38m gross tonnes at the end of 2004, to reach 119m gt at the end of 2014, based on data compiled by Clarkson Research. This advance was faster than the average seen among other nationalities in the world fleet. Consequently China's share of the global total increased from 6% to just over 10%.

All the main vessel groups have seen vigorous enlargement. Bulk carrier capacity grew especially rapidly, with a surge from 2009 onwards. During the past decade the bulk carrier fleet quadrupled to 69m gt, and now forms well over half of the entire Chinese fleet. The tanker and container ship fleets tripled to 21m gt and 14m gt respectively, while the 15m gt fleet of other ship types grew less quickly by 76%.

Included in the 'other' ship types fleet, growing less rapidly than elsewhere, but still adding substantial capacity, is a wide variety. Gas carriers, multi-purpose and general cargo ships, roll-on roll-off and vehicle carriers, cruise and passenger ships, and offshore vessels are key elements. Although many of these and ships in the main categories are involved in international trade, numerous vessels are employed wholly within the vast Chinese coastal movements.

## IMPRECISE STATISTICS

However, statistics identifying country of ownership, whether it is China or another country, perhaps should be regarded as indicative, rather than precise. The ownership country is where full control (the parent owning company) is located. However, in many cases identifying this location relies heavily on interpretation and subjective judgement. As is well known, a vessel's flag (the flag of the state in which it is registered) typically provides no clue to owning nationality.

Another way of looking at China's fleet expansion is to consider the number of ships. This number rose from 3,821 at end-2004,



Credit: Lee Wu

## China has offered subsidies to benefit its shipyards

to 6,532 at end-2014, a 71% increase. Compared with the 216% gross tonnage growth that is much slower, indicating that the average size of ships in the fleet has grown very substantially, almost doubling over the decade.

New ships purchased directly from shipbuilding yards by Chinese owners comprised a large part of the additional capacity added. But purchases of secondhand tonnage from foreign sellers on the international market were also a major part. These can often be advantageous for buyers. Delivery of a newbuilding may happen two or more years after the order is placed, but a secondhand purchase can often provide immediate or quick availability, possibly at much lower cost.

Relatively young ships now form high proportions. At the end of last year, vessels under ten years old comprised four-fifths of the tanker fleet, two-thirds of the bulk carrier fleet, and just over half of the container ship fleet.

A large part of the China-owned fleet is operated under open registries. Based on UNCTAD figures, gross tonnage registered with foreign flags made up 63% of the total at the end of 2013, up from 49% ten years earlier. The Hong Kong flag's role has grown strongly. For many Chinese ships involved in international trade the benefits of foreign flag registration include greater operational, financial and regulatory flexibility than the national flag provides. However, ships participating in Chinese coastal trade are required to fly the national flag.

## POLICY PLAY

What are the main influences driving the China-owned fleet's enlargement? A mix of economics and policy factors are evident. Expanding global seaborne trade volumes, to which China is a major contributor, provide growing opportunities for Chinese shipowners. The economics are also assisted by the cost competitiveness of Chinese ships. But there is evidence that subdued

“Chinese leaders would like to see a greater proportion of the country’s seaborne imports and exports carried by ships owned by mainland-based companies”

Credit: Kees Torn



The China-owned fleet has more than tripled over the past ten years

freight rates on the international market over the past few years, resulting in low profitability, has deterred some investment by Chinese companies.

Policy action by the central government has also accompanied fleet growth. Towards the end of 2013, for example, a new scrapping subsidy plan was introduced by the Chinese government to benefit both shipping and shipbuilding industries in China over the period up to this year. The subsidy, restricted to Chinese-flagged ships, requires shipowners to place newbuilding orders with Chinese shipbuilders at least equivalent to the vessel tonnage being scrapped in domestic recycling yards.

Among more recent action, in early autumn last year government guidelines were published for developing and supporting China’s shipping, including tax changes and regulatory reform. Pressure was applied on companies to improve and modernise their fleets. More specific policy objectives followed, including encouragement of mergers and acquisitions and private investment involvement, development of cruise shipping and encouraging more support from domestic financial institutions. At the beginning of this year, their Ministry of Transport published details of aims for upgrading the country’s shipping industry and improving services and competitiveness in the global marketplace.

The Chinese government’s intention, to achieve a larger proportion of the country’s seaborne trade transported by ships owned by companies based within China, has been clear for some time. This aim has been most visible in the very large crude carrier (VLCC) segment of the oil imports trade.

Reports have suggested that the target is as high as 85% of foreign crude purchases carried by Chinese controlled ships. But currently there are no signs of the target being achieved, although many new tankers of this type have been ordered or have already joined the fleet. Earlier this year it was reported that orders for new VLCCs stood at around 30, for delivery at a rate of about 10 ships annually from 2015 to 2017, implying possible acceleration in the capacity expansion pace.

## ORDER BOOM

Expectations for future growth in China’s fleet as a whole are reinforced by the huge new tonnage volume on

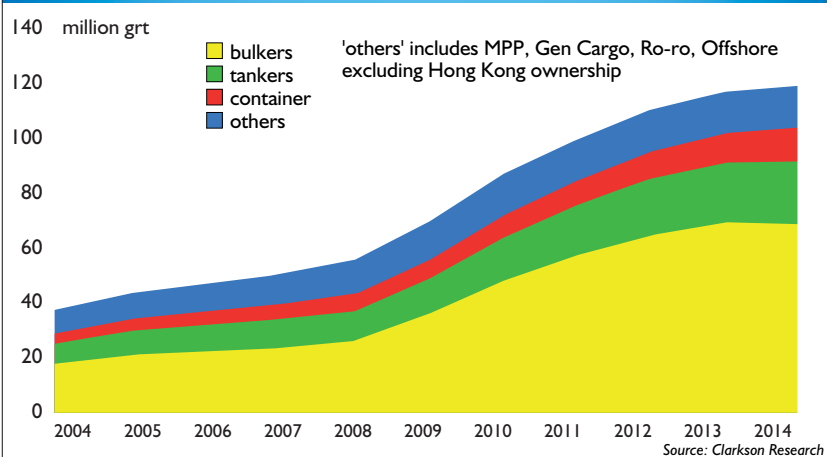
order. At the end of 2014, the newbuilding order book for China-based shipowners was 625 ships totalling 32m gt, equivalent to over one-quarter of the existing Chinese fleet’s capacity, according to Clarkson Research data. Just over half, 16m gt, is scheduled for completion during 2015, with a further 12m gt due in 2016.

Fleet projection calculations always encounter difficulties, such as whether the recorded newbuilding order book volume is reliable, whether scheduled delivery timings will prove accurate and how scrapping volumes will evolve. Nevertheless, the signs point firmly towards continued growth in the cargo carrying capacity of the China-owned fleet of ships over the years ahead.

Backed by a government strategy for shipping industry development, and accompanied by President Xi Jinping’s vision of a 21st Century Maritime Silk Road, China’s ships seem set to become an even more familiar sight in global trade patterns. **SN**

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## The China-owned fleet by ship type in million gt



# Keeping watch over the shipping flock

Fazlur Chowdhury explains how shipping's 'regulators' keep us on a steady course



Fazlur  
Chowdhury

As one of the most international businesses in the world, shipping cannot operate globally under the unitary regulatory control of an individual state. It has to comply with common standards developed at international forum and that forum is the International Maritime Organization (IMO), a specialised agency of the United Nations.

However, IMO is not an international government and it cannot enforce any compliance. That has to be done by the member states. Once the common standards are adopted on the floor of IMO in the shape of an international convention, it is then up to the member states to accept those conventions by becoming parties to the conventions. It then becomes the legal and moral obligation of the relevant state to transpose the provisions of such conventions into national legislation – that is to give force of law within its jurisdiction. The member state will then enforce it within their jurisdiction as part of their national law.

with Bangladesh rules and regulations for maritime and shipping, no matter where the ship is. In addition, when in a foreign port, the ship shall also comply with the requirements of the host state. This is why the ship flies a courtesy flag of the port state. Hopefully the statutory requirements will be similar as both the flag state and the port state will have their requirements derived from common IMO conventions.

**“A port authority cannot conduct Port State Control because the port authority collects charges for extra stay, even if it is due to detention”**

## DUAL MODE

By now it is clear that every state will have two different modes of control and enforcement – one as flag state on its own ships and the other as port state on visiting foreign ships. Together they create a safety net that rogue ship owners and substandard ships cannot dodge. The port state control (PSC) must be exercised as a hand of co-operation to the flag state.

Supposing we board a German ship in Bangladesh to exercise PSC, the underlying message to the German administration will be ‘don’t worry, we will ensure safety compliance on your behalf. Your lives are equally important as ours. We will do everything that you would have done’. It is very important to impose equal standards (to owned ships as well as foreign ships) so that no one can blame you for double standards.

Is a flag state right to believe that it need not comply with the requirements of a particular convention because the state is not a party to the said convention? No, because its ships will be subjected to those requirements when it enters the jurisdiction of a port state that is a party to that convention. This is because the convention requires every party state to enforce the requirements without any favourable treatment to a ship from a non-party state. If a ship is to trade freely around the world it has to comply with the requirements of all conventions in force. It is better to become a party to the convention if, in any case, a ship owner has to meet the requirements anyway.

During the PSC, the inspector should explain all deficiencies in a manner that allows the ship to get them rectified. In the case of serious deficiency, conditions should be attached for their rectification within a given period. The authorities at the next port of call may be alerted where necessary. The ship may only be detained “when allowing the ship to proceed to sea may mean serious threat to life, property or environment”. Such ships must remove all defects and deficiencies before being allowed to proceed to sea.



Credit: Coast Guard News

## Port state control must be exercised as a hand of co-operation to the flag state

Every sea-going ship has to be registered in a country to fly its flag. Through the process of registration it gains its identity. The certificate of registry will have its name, port of registry, flag, IMO number, call sign, MMSI number, dimension and tonnage, name of the owners and so on. In old days it was customary to have the name of the master endorsed on the certificate of registry but it is not necessary now. It is also not necessary to show financial status with respect to any mortgage because the transcript of the ship (obtainable from the registrar) will clearly show this information.

A ship registered in Bangladesh will be referred to as a Bangladeshi ship and shall fly its flag. This ship will comply



PSC inspectors must always remember to make correct reference to each and every deficiency. Such references may normally relate to international conventions for the common understanding of all concerned. However, in respect of detention, it is very important to make reference to provisions of national law. This is because if the ship owner wants to challenge the detention (through local agents) the court shall go by the law of the land.

### DETENTION DETAIL

Another thing must be clearly understood: detention is not arrest. A ship may be arrested against claims only on the order of a court and this has nothing to do with the safety standard of the ship. On the other hand, detention is an administrative/executive function of the Administration and cannot be linked with any commercial outcome. That is why a port authority cannot conduct Port State Control, because the port authority collects charges for a prolonged stay, even if it is due to detention. Instead, PSC is done by the Administration of the state to which the port belongs.

A further development in PSC is the use of Memorandums of Understanding (MoU). There is no reference to MoUs in any of the international conventions; instead, MoUs are normally signed by a group of countries in an area/region. The purpose is to co-ordinate PSC inspections in a rational way so that unnecessary repetitions can be avoided. It also keeps member states informed of the status of ships visiting the area so that more specific actions can be taken against rogue ship owners and substandard ships.

The Paris MoU pulls together a large number of European states and this has made life difficult for substandard ships to operate in Europe. Similarly the Tokyo MoU puts together a number of states in the Far-East. While states do not have to join an MoU – every sovereign state can exercise its inherent right independently – MoUs allows regional countries to share each other's experience to work together for common goals. MoUs utilise common forms and coding system. It is interesting to note that the US has not joined any MoU; they conduct PSC on foreign ships through their Coastguard. Canada is a member of both the Paris and Tokyo MoUs for the Atlantic and Pacific coast respectively.

### CLASS ACT

The final group of 'regulators' to discuss comes in the form of classification societies and recognised organisations. A ship remains classed with a society so long as it meets the standards laid down by that class society. In the charter market it matters a great deal if the ship is classed with a reputable society.

Because these classification societies are fair and independent, many flag states delegate statutory surveys, audits and certifications to them; however, it must be clearly understood that only functions can be delegated and not the responsibility. It is for this reason that the flag state must retain a supervisory

**“If a ship is to trade freely around the world it has to comply with the requirements of all conventions in force”**

role to ensure proper compliance of statutory functions. Because it is not in the interest of classification societies to displease their clients, PSC cannot be exercised by class societies.

Classification never used to be a compulsory requirement, but it now is. Though the SOLAS, LL and MARPOL conventions give many requirements for ship building, they do not provide a complete code for construction of ships. IMO has finally done something sensible by introducing in SOLAS-74 Part-A1 Reg. 3-1 that a ship to which the Convention applies shall be designed, built and maintained, including its mechanical and electrical components, in compliance with the requirements of a Recognised Organisation. Classification societies also have requirements relating to the inspection of every part, component and equipment at least once every five years. **SN**

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Credit: Coast Guard News

**Inspectors take note of every deficiency**

# Protection from above

Vittorio Lippay explains that satellites offer great potential in supporting future shipping business



Vittorio  
Lippay

In shipping, personal relations and networking will continue to count, but protection from above in the form of satellites is going to change the entire business, and shipbroking in particular. Knowing a ship's whereabouts in real time is just the beginning.

The next development, where machine intelligence learns and organises trade patterns, analyses vessel positions and courses, will eventually provide fine-tuned information to shipping businesses.

Starting with the science part: micro/nanosatellites are standardised, mostly cubic-shaped, 6 to 50 cm sided platforms with a mass from 1 to 100 kg. They carry scientific, communication or reconnaissance payloads into low earth orbits via opportunity launches. Space Works Inc USA estimates a world potential of 600 micro/nanosatellites by the year 2020, up from less than 100 in 2013. These affordable satellites are shifting vessel tracking and maritime awareness from a coastal to a planetary affair, leading to significant improvements on global maritime safety and security.

Current technologies rely on co-operative vessel identification, like Automatic Identification System (AIS), vessel Monitoring Systems (VMS), Long Range identification Tracking (LRIT), and passive X-Band radar detection (ELINT), or they can make use of alternative non-co-operative identification techniques including Very High Resolution Images (VHR) chips and Synthetic Aperture Radars (SAR) operating in space.

AIS in its current form is a two-channel VHF radio signal system between ships and shores, automatically providing a ship's identity and critical navigation data which, depending on message type, may also include more details, like cargo specifications.

Conceived as an anti-collision system within a 50 nautical mile range, AIS was also devised for the identification of ships

approaching the shore and for traffic management. It's compulsory in ships of more than 300 gross tonnes engaged in international trade. However, for all its benefits, special decoding software is needed to read AIS messages, so it is not readily accessible to human operators. Satellite AIS (S-AIS) receivers, on the other hand, extend the area coverage up to 5,000 km, thus capturing many more signals

## TAKE TO THE SKIES

In 2001, the US Coast Guard, looking for a method to monitor coastal waters from space after the terrorist attacks of 2001, approached John Hopkins University. This led to the signing of a research and development contract in 2004 with ORBCOMM, a company specialising in machine to machine communications via satellites since 1993.

In a parallel development, Canada's COM DEV launched an experimental 6.5 kg nanosatellite which demonstrated the feasibility of space borne AIS vessel detection. In orbit, the nanosatellite can collect and memorise signals from ships all over the world for retrieval later on.

In a third project, Norwegian programme called Automatic Identification System Satellites (AISSat) started in 2010. It's made up of three Canadian-built space platforms, named AISSat 1, 2, and 3, which have the task of monitoring Norwegian waters to provide 'near real time' (NRT) data; the more satellites are applied over an area, the nearer to real time data gets.

Local traffic is revisited in each orbit every 1.5 hours and information is automatically transmitted to Norway's Coastal Administration in less than a second. Global traffic is monitored in approximately half a day with data stored in orbit for subsequent retrieval and evaluation from the ground.



Satellites can dramatically improve surveillance

"The shipping world can make more informed and rewarding decisions by knowing the global or local situations reconstructed via a satellite-AIS network"

Credit: Surrey Satellite Technologies

## SURVEILLANCE HELP

The latest move saw the European Space Agency, in partnership with the European Maritime Security Agency, complete its pre-development programme ARTES In 2013, in order to start implementing two European S-AIS microsatellites. These will become operative by 2019 and will provide data for integration with EMSA's existing surveillance systems. The traffic information will also be made available to commercial operators.

The data from satellite-AIS can be combined with data generated by other existing systems, such as LRIT, VSN, and Synthetic Aperture Radar Satellites - such as like Surrey Satellite Technologies' innovative NovaSAR-S) – to improve coastal and global surveillance.

But while satellites are allowing for better and faster collection of shipping data, that data has to be sifted to get the most from it. Clearly this is not a job for the human element; instead there is increasing demand for automated processing and analysing via machine intelligence to transform AIS collected material into useful information for shipping decision makers.

Here, sophisticated computer programs, like the Traffic Route Extraction and Anomaly Detection code (TREAD), developed by NATO's Centre for Maritime Research and Experimentation at La Spezia (Italy), are able to autonomously understand and evaluate ship routes and behaviours from AIS collected data.

TREAD generates atlases of ship courses and of behaviour patterns associated to each type of ship in pre-assigned waters, allowing the programme to formulate an expected course for the vessels being monitored. This means that there can be prompt identification of anomaly, such as a situation of distress, piracy, and more.

## LIFE SUPPORT

In 2010 ExactEarth Com and the USCG in Hawaii used COM DEV's NTS satellite in detection trials of AIS-SART low-power emitters for life rafts and jackets. From space, the satellite detected all the emitter types, including the 1 W low-power ones on life jackets. As a result of these findings, this technology is likely to become increasingly important for man-over-board emergencies in the near future.

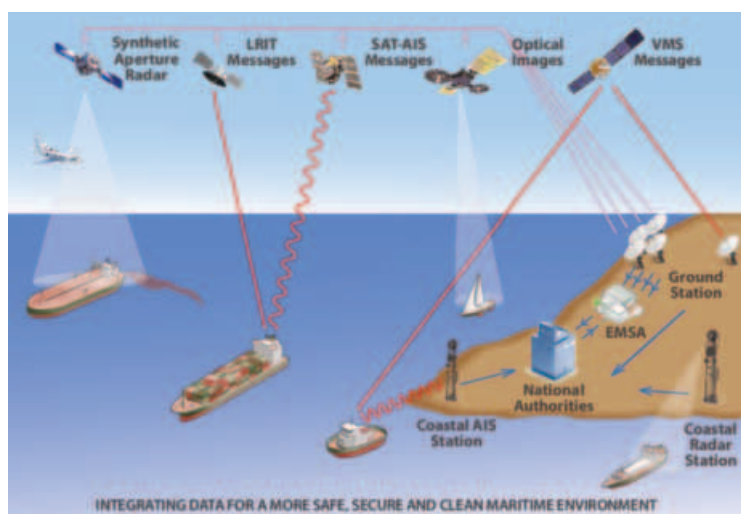
Not only can the satellite-AIS locate the distress event precisely, S-AIS also provides a detailed picture on vessels in the area which are more readily available for rescue and support. Encouraged by the findings, the International Communication Union approved two new VHF channels reserved to S-AIS in n 2012.

Satellite-AIS benefits don't stop there. It is hoped that the shipping world will be able to make more informed and rewarding decisions supported by global or local situations knowledge gathered via an S-AIS network. On this front, two major companies operate already and make use of this data for shipping intelligence: ExactEarth and ORBCOMM, and more are under way.

In operation since 2010, Canada's ExactEarth builds on COM DEV's NTS experience, and presently has eight polar orbit satellites. The data from the satellites is tailored to be compatible with existing geospatial platforms, such as GoogleEarth, which allows for immediate graphical representation and evaluation for users.

ExactEarth has also launched ShipView, a proprietary map-based platform on the web that displays ship positions. With no

need for special software, customers can directly visualise the required information on maps with their preferred browser. ShipView also provides an accurate description of tracked ships and holds 90 day retrospective information on routes and ports of call. ShipView is already provided to 150 operators worldwide.



Credit: European Maritime Safety Agency

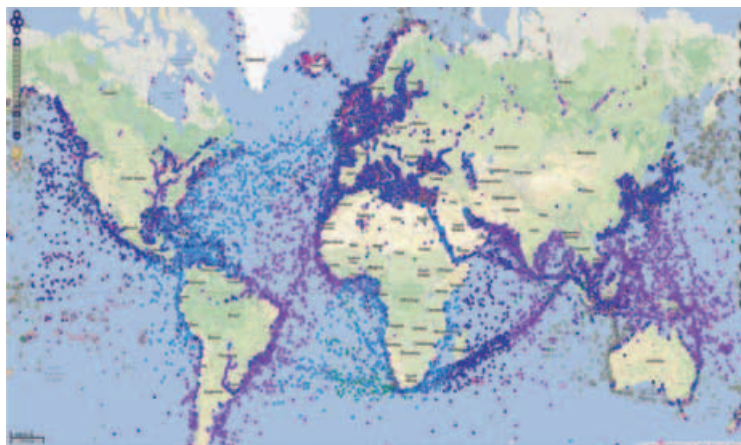
### Satellites provide different levels of protection

## MORE THE MERRIER

For its part, America's ORBCOMM also has eight satellites in orbit, with 11 more to be launched in the third quarter of this year. These will be distributed on six different orbital inclinations, including the polar orbit - more inclinations improve coverage). At 173 kg, its OG2 class satellites are larger than nanosatellites and hence can operate with onboard data processing.

Their onboard technology can quickly detect and separate captured AIS signatures in space. Data is then quickly delivered to the next ground station in a more advanced processing state. The speed at which data is transferred is further increased by the large number of satellites and by ORBCOMM's 16 ground stations. Both of these factors combine to improve the number of detections. ORBCOMM distributes its AIS data through partners, like IHS Fairplay, Lloyds List Intelligence, Oceaneering, CLS and Polestar.

Mariners and the maritime community may believe that the ultimate protection comes from a 'greater heights', but satellites will also have an increasingly greater role to play in supporting shipping business going forward. **SN**



Credit: ORBCOMM

### ORBCOMM will have 19 satellites by the end of the year



# Take to the water for Great Ormond Street Hospital

The OSCAR Dragon Boat Race 2015 looks to unite the shipping industry to raise funds for GOSH

The OSCAR Campaign is excited to announce the return of its hugely successful Dragon Boat Race, to give professionals from across the industry another chance to go head to head in a thrilling day of dragon boat racing.

The event will take place on September 11 at the London Regatta Centre in the heart of the Docklands and will see teams of 10 paddlers plus a drummer take to the water in spectacular colourful Chinese dragon boats. To accompany the Dragon race, for the pleasure of spectators, there will be a BBQ, cash bar, live music and the chance to network, with many supporters from the industry expected.

Last year's grand finale saw a nail-biting finish with a tie for first place between Scorpio Group and RS Platou – a feat never seen before by the event organisers! Scorpio Group and RS Platou beat teams from Clarksons, ICAP, Lloyd's Register and Talbot Underwriting to claim victory and the coveted winners' medals.

The racing is all in aid of the OSCAR (Ocean and Shipping Community Advancing Children's Health and Research) Campaign - a fundraising partnership uniting the international shipping community to raise significant funds towards areas of urgent need at Great Ormond Street Hospital for Children. Last year the event smashed its £100,000 target and raised a fantastic £113,000 towards lifesaving research into childhood cancers and immune diseases – an incredible achievement for the 25 teams and 200 spectators who took part.

The campaign is the inspiration of Phil Parry, chairman of Spinnaker Consulting, whose son Oscar received life-saving

care at Great Ormond Street Hospital. The campaign initially raised an amazing £500,000 towards state-of-the-art new facilities at Great Ormond Street Hospital, creating the Seas and Oceans floor in the Morgan Stanley Clinical Building which opened in 2012. Now, on the back of that success, and inspired by the response, the campaign is aiming to raise a further £1m, and has already achieved over £580,000 towards this target, to support pioneering research.

Phil said: "I was absolutely delighted with the success of last year's event and overwhelmed by the generosity of the shipping industry. Not only did we raise a phenomenal sum of money, but we had an awful lot of fun in the process so there was no question that we should hold another event this year. We have lots of exciting ideas to make this year bigger and better for paddlers and spectators and we hope to raise even more money than last year.

"What's great about the research we are raising funds for is that it can help make a real difference to children's lives as my family knows only too well. If Oscar had been treated two years earlier he would not be alive today. He benefitted from receiving treatment that was in an early stage of development and has since been used to save other children's lives."

There is a fundraising target of £5,000 per team for the OSCAR campaign – with the team who raises the most getting a head start in the race. To register your interest and be in with a chance to lift the winner's trophy, please contact Ellie Notley at Great Ormond Street Hospital Children's Charity on +44 (0)20 7239 3005 or email [Ellie.Notley@gosh.org](mailto:Ellie.Notley@gosh.org). **SN**

Last year's race was a photo finish



"Last year's grand finale saw a nail-biting finish with a tie for first place between Scorpio Group and RS Platou"

# A consistent message on compliance

Alexandra Wrage explains how the industry can reduce corruption through collaborative compliance



Alexandra Wrage

The shipping industry faces complex compliance challenges. This is true not only because of the global and time sensitive nature of the industry, but also because of the many layers of relationships required to move cargo from port to port. Shipping companies have often focused on their immediate sphere of commercial influence, without stepping back to see the larger picture of both risk and opportunity. There are opportunities for collaboration.

Shipowners have a reputation as a private community, reluctant to share their ownership details. This is beginning to change. Recognising that the larger shipping community must vet partners in all directions, ensuring not only compliance with international anti-bribery standards, but also with sanctions, shipowners have begun to disclose their true beneficial ownership. They are also increasingly willing to provide information about their own compliance programs, the training they have undertaken and the controls they have in place to avoid misconduct.

While shipowners can commit to this level of transparency individually, they may also complete an independent compliance certification. This can be posted as an additional credential on the online risk assessment platform of the leading ship-vetting specialist, RightShip. RightShip displays this information alongside the more than 50 risk factors that they already consider for the 76,000 commercial vessels they assess on-line.

## LOOK BOTH WAYS

Charterers, meanwhile, are in the unenviable position of having to vet their partners both upstream and down. They must ensure that they understand the ownership and compliance standards of their shipowners, as well as their technical ship managers and port agents. They have substantial bargaining power in the industry and can state a preference for both shipowners and technical shipmanagers committed to the same high standards of transparency.

Third party technical shipmanagers, on the other hand, often struggle with compliance liability that is comparable to the shipowner's, but often without the concomitant authority. To address this, they should be receptive to a thorough vetting process themselves, while ensuring that they have the appropriate procedures in place to support a vessel owner and communicate a strong message to everyone in their supply chain.

Port agents can vary dramatically in size and so resources will also vary. In most cases, they work with the disadvantage of considerable time pressure. They are often subject to extortionate demands by government officials responsible for ports and principals that may have differing attitudes to this type of compliance. These agents benefit from access to training and other resources of the companies they represent. Companies should ensure that port agents understand that good governance and appropriate business practices make them more valuable business partners.

DA-Desk, an organisation founded to increase transparency in the disbursement account process, works to reduce costs and



Credit: Chris Potter

## Transparency is key to tackling corruption

improve efficiency for over 140,000 port calls annually. They have recently added an optional independent anti-bribery certification to their rating system for port agents. This gives port agents an opportunity to embrace greater transparency and to broadcast their shared commitment to the business ethics of their larger partners.

## ALL INCLUSIVE

The compliance community rarely includes government officials in a discussion about increased transparency, but they shouldn't be overlooked. While every country has bad actors, there are many others keen to improve the reputation of their country, and their ports. Too often, the problem is not one of will, but of resources. While large shipping companies have invested in compliance to address their legal and reputational risks, most government officials working in ports are isolated, underfunded and working without the benefit of exposure to any compliance practices, much less 'best practices'.

The private sector can support the good actors in ports by making tools available to them. The Maritime Anti-Corruption Network (MACN) is doing just that, launching an initiative to get compliance toolkits into the hands of local port officials.

The industry faces challenging compliance hurdles, but it is not without tools to address these. There are a number of cost effective collaborative initiatives underway that are sensitive to these challenges. The industry shouldn't underestimate the power it has to change the dynamic in ports by repeating a consistent message that business undertaken in a clean and transparent manner will be rewarded with more business. Eventually, even entrenched bad practices will die out. **SN**

Alexandra Wrage is president of TRACE, an anti-bribery business association offering practical tools and services to multinational companies and their partners, including TRACEcertification, an internationally respected due diligence credential. For more information go to [www.TRACEinternational.org](http://www.TRACEinternational.org).

# Legal Eagles...



Do you have a burning legal question for the HFW *Shipping Network* team? Email [legaleagles@ics.org.uk](mailto:legaleagles@ics.org.uk) for them to answer your question in the next issue of the *Shipping Network*. Questions should be of a general nature and not specific to a particular live issue.

Holman Fenwick Willan's crack team of specialist shipping lawyers answer your legal questions



Guy Main



While a typical charterparty will include a clause which provides that a broker is entitled to commission from shipowners, usually a percentage of the monies earned by the owner under the charterparty, what are some of the potential legal options available to a broker when a shipowner has unlawfully withheld the commission that is due to him?



Daniel Martin



A shipbroker is not typically a party to the charterparty contract. This presents difficulties for a broker attempting to recover brokerage commission from an owner. Before the Contract (Rights of Third Parties) Act 1999 came into force, brokers were compelled to involve the charterers (who were viewed by the law as trustees for the broker) in an action against owners to enforce their contractual promise to pay hire and, if they refused to do so, only by the broker suing both parties to the charterparty.

The Contracts (Rights of Third Parties) Act 1999 has made bringing a claim against an owner far more straight forward. A broker can now sue on the charterparty itself where the broker is named (or not named but clearly identified) within the charterparty as being entitled to a commission. Therefore, the broker can now bring a direct claim against the owner without having to embark on cumbersome proceedings involving both parties.

The broker's legal claim is against the named owner in the charterparty. That owner may be a 'one-ship company' with no assets apart from the vessel itself. If the ownership of the vessel is transferred to another company, the shipbroker may find himself in the unenviable position of having to pursue a claim against a company which now has no assets against which to enforce any arbitration award or judgment.

The charterparty should contain a law and jurisdiction clause which will determine the governing law and where the claim should be brought. It will also state whether the claim is to be determined by a court or arbitration. If arbitration, then commencing legal proceedings against the owner is straight-forward. This often involves no more than appointing an arbitrator to determine the dispute, notifying the owner that you have done so and, depending on the charterparty terms, calling upon them to appoint an arbitrator.

If, however, the charterparty provides for disputes to be resolved before the English High Court then, absent any other agreement regarding a commission dispute, the broker needs to 'serve' a claim form on the owner named in the charterparty. If this is a one-ship company domiciled outside the UK, in a country such as Liberia and Panama, serving legal proceedings can be time-consuming and expensive.

This state of affairs can be particularly frustrating for a shipbroker who, by virtue of his position, will often have a clear idea as to who actually owns the vessel and so is actually (if not legally) responsible for the unpaid commission; the so called 'beneficial owner'. Unfortunately for the shipbroker, the beneficial owner is almost certainly not their contractual counter-party and will almost certainly not have admitted liability for the debt.

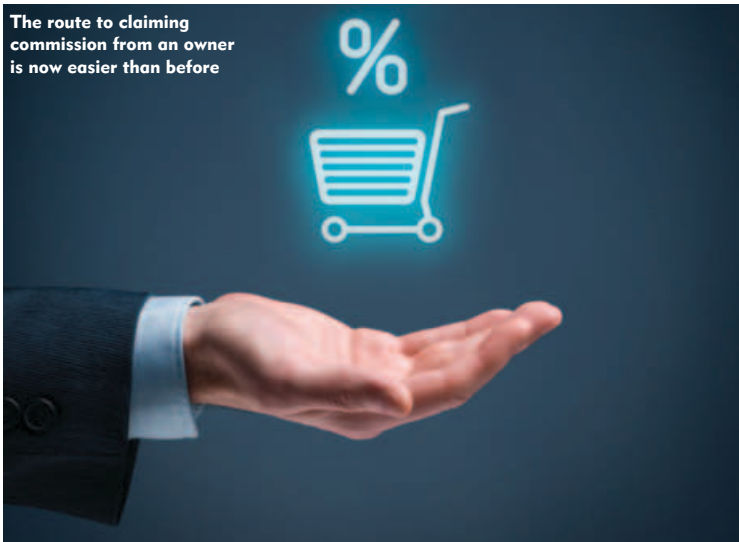
Under English Law there is a strict principle of independent legal personality, so even if the broker knows the identity of the beneficial owner, any direct claim against that beneficial owner will fail, unless the broker can show that the corporate structure of the shipowner is in fact a sham.

An option available to the shipbroker may be to arrest the subject vessel or one of its sister ships (that is a vessel which has the same registered owner) in order to obtain pre-judgment security for the claims, but this remedy is not available in the UK, and many other civil jurisdictions.

Alternatively, it may be possible to arrest one of the vessels owned by the beneficial owner in a jurisdiction such as South Africa, where it is possible to arrest vessels that are owned by an associated company of the registered shipowner, as well as any vessel which is directly owned by that owner. It is relatively simple to track the movements of a particular vessel in order to identify where it may be possible to carry out an arrest. The threat of arrest alone may be sufficient to encourage an owner to settle the due but unpaid commission. If the broker pursues the shipowner to judgment, the options to enforce are more wide-ranging than those for obtaining pre-judgment security.

Unfortunately, pursuing a claim against an owner for unpaid commission is rarely straight forward but, armed with the right tools, a broker may be able to encourage an owner into settlement, either by actual or threatened legal proceedings or arrest. **SN** While every care has been taken to ensure the accuracy of this information at the time of publication, the information is intended as guidance only. It should not be considered as legal advice.

The route to claiming commission from an owner is now easier than before







What impact do the latest trade sanctions have on brokers?



International trade sanctions have never been more topical or complex. On the one hand, there have been signs of progress in discussions between Iran and the P5+1 (UK, USA, China, Russia, France and Germany), culminating in the positive statements coming out of the recent talks in Switzerland. As a result there are real indications that, while no deal has been done so far, and existing restrictions remain in force, we might well see a relaxation of some sanctions in due course.

On the other hand, the sanctions imposed following events in Ukraine have been relatively unchanged, after six to nine months of sustained activity, but new restrictions might still be adopted if the situation on the ground changes.

So what do brokers need to do, to ensure compliance in this changing landscape?

Keep vigilant – the first point is to ensure that you are up to speed on the relevant restrictions. This is a fast moving area, where significant changes can occur very quickly, and usually without advance notice. The legislation is complex (and can create confusion), and individuals and entities can be listed, de-listed or re-listed with immediate effect, so brokers need to have access to appropriate internal or external sources who are closely monitoring developments and reporting on relevant changes.

Be cautious – any announcement of a further agreement with Iran is likely to be met with very positive headlines and lots of interest. An announcement is expected by the end of June, and might provide for sanctions relief as early as the end of 2015. However, while there are indications that some businesses are looking carefully at the compliance hurdles which they would need to clear in order to renew trading relations with Iran, it is important to note that the US authorities have repeatedly stressed that until a deal is done, there will be no change in the sanctions position, and that they remain determined to enforce US sanctions fully. As a result, brokers need to check that – against the backdrop of greater liberalisation – they understand what is permitted and what is not, so that they can properly assist and protect their clients, and protect themselves.

Think ahead – according to the US negotiating team, one of the key requirements from a US and EU perspective is that the sanctions against Iran which will be suspended as part of any deal with Iran, should ‘snap back’ in the event that Iran fails to comply with its obligations pursuant to that deal. Therefore anyone who trades with Iran following a relaxation of the restrictions needs to consider how to protect themselves if sanctions are re-imposed. That might include contractual suspension or termination rights, or appropriate force majeure type wording. Likewise,



**Brokers need to be aware of the changing sanctions landscape**

brokers who are concluding business which is closely connected with Russia (particularly state-owned entities or oil and gas interests) need to be aware that further sanctions might well be imposed, and should also consider with their clients the insertion of similar clauses in their contracts.

Remain positive – any agreement with Iran is likely to lead to a period of enhanced uncertainty about the meaning of the sanctions, the attitude of the regulators, and the attitude of banks and others who are involved in international trade. Such an agreement, however, will undoubtedly lead to new opportunities for trade, and brokers need to be aware of the scope and extent of the remaining restrictions so that they can support their clients in pursuing these opportunities, while still ensuring that they operate a fully compliant business and do not fall foul of any restrictions which remain in place.

International trade sanctions remain a favoured tool of politicians and diplomats, and the sanction landscape is likely to change materially over the next six months or so. As a result, brokers need to keep vigilant, be cautious, think ahead and remain positive, so that they can protect their clients and themselves from a sanctions violation, but also take maximum benefit of any change in sanctions. **SN**

*While every care has been taken to ensure the accuracy of this information at the time of publication, the information is intended as guidance only. It should not be considered as legal advice. The articles were written by Daniel Martin, Matthew Montgomery and Guy Main. Daniel is a partner, Matthew an associate and Guy a senior admiralty manager, all in the shipping group in HFW's London office. Guy is also a Fellow of the Institute and, before joining HFW, he spend 18 years as a shipbroker. Additional research was carried out by Conner Cahill, a trainee in HFW's London office.*

# PREP's about more than exam revision

President's Prize winner [Ali Canani](#) talks about his experience at the Institute's flagship study weekend

As is custom, the Institute's popular exam revision course PREP at Warwick University's campus in Coventry was held in March. The attendees counted students from 11 countries including Canada, the US, Nigeria, Sweden, Malta, the United Arab Emirates and the UK, alongside tutors with plenty of industry experience.

The experience of the tutors combined with the enthusiasm of the multinational students created a forum for learning that is invaluable to the student experience. It is no wonder that PREP attendees have a pass rate of over 70%.

ICS PREP is suitably timed to provide a final coaching session prior to the examinations. The weekend PREP

students could relax and get to know each other better. Preparing for exams is certainly a challenging experience and, since most students have full time jobs and busy family lives, it is quite easy to feel overwhelmed. Meeting fellow students in the same boat can provide the much required 'we are in this together' motivation to help them through the final stretch.



The international PREP team and students at Warwick University



session started with a short welcome address and dinner followed by a 'meet your tutors' reception. This gave the students the opportunity to familiarise themselves with the tutors and the experience that they bring to PREP.

More often than not, students work in a specialised sector of shipping and slip into the view that their sector represents the whole picture. Meeting tutors and students who work in other areas of shipping dispels this and provides a broader viewpoint, which is of utmost value in the Institute exams.

Each evening closed with a session at the bar where

## MOCK CONCERN

Friday morning started with a lesson on exam technique followed by the mock exam. Practicing the art of dealing with exam stress and getting writing practice prepares the students well for the upcoming exam experience.

Students are advised to write an answer from the subject they feel most prepared for and one from the subject they feel least prepared for. The mock exam is marked and returned by the tutors by the end of the weekend and students often find the review very useful as a guide on answering questions.





**Top: Students at the international PREP in the UK put their general knowledge to the test in a quiz with the Institute's Nic Ingle as quizmaster**

**Below: Tutor Lloyd Lushing makes sense of economics (left); the Institute Head Office team welcome the PREP attendees**



Post lunch on Friday, students broke out into the various simultaneous tutorial sessions, nine in total, designed to help them with whichever subject and topic they felt weakest in. In addition, this year there was also the opportunity of one-on-one sessions with experienced tutor Alan Humphries.

Of course, PREP is not all about studying: Friday ended with a very informative and eye-opening 'pub quiz' conducted by the Institute's Nic Ingle that put tutors and students in opposite teams to test their knowledge in a variety of shipping and non-shipping related topics. Then

on Saturday night I gave a motivational talk on how PREP helped me prepare successfully for the exams and ultimately led to me winning the 2014 President's Prize.

The tutorials ran all the way until Sunday afternoon after which there was a formal closing ceremony.

While PREP is certainly useful for exam preparation, there is more to the event than revision. It is an experience filled with meeting people, socialising, developing friendship and business bonds, leading to an alternate way of thinking, all of which will last far beyond the exam experience. **SN**



## Membership Committee heads to Hong Kong

The annual face to face meeting of the Institute Membership Committee was held in Hong Kong in March, marking the first time the Committee had met away from London. The meeting was possible thanks to the excellent organisation and warm hospitality extended by Hong Kong Branch chairman YK Chan, Manson Cheung and all the Hong Kong branch committee.



Hong Kong marked the first international meeting for the committee

For the first time, the Committee had a one day workshop prior to the meeting. Committee members stayed for an additional day in Hong Kong to assist with the Hong Kong Branch's local PREP day.

The Membership Committee welcomed Austin Dooley from Rotterdam as a new committee member; he will represent those members of the Institute who are not directly associated with a branch.

The Committee commented on the high number of new members (73) elected at the last Executive Council meeting in February. Membership applications likely increased as a result of the trial examination session held last November.

The Committee also had the chance to discuss some crucial issues such as the clarification of membership criteria. After a lengthy discussion during the workshop and committee meeting, the Membership Committee discussed the pathway to membership and the need to clarify the criteria for membership and the different levels of membership. It was agreed to develop the pathway to membership for approval by Controlling Council in November 2015.

The Membership Committee further agreed that the Institute should continue to have stringent entry criteria to preserve the Institute's high standard in the shipping community.

During the Membership Committee week, director Julie Lithgow and branch chairman YK Chan made a number of notable visits. Firstly, they visited Prof. Chih-Ching Chang, chairman of Taiwan International Ports Corporation. The Institute Training Programme in co-operation with TIPC is progressing well and the Institute took the opportunity at the meeting to discuss Institute development, and deliver a lecture on the 'Sharing of English Court Cases in respect of MOA C/P & B/L'.

In a second visit, the pair met with Professor Chin-Shan Lu, director of the CY Tung International Centre for Maritime Studies at the Hong Kong Polytechnic University, to discuss further collaboration and promotion of the Institute to mainland China, building on a Letter of Understanding signed between the two parties.

In the final visit, Ms Lithgow and Mr Chan met with CC Tung, chairman of Orient Overseas (International) to brief him about the development of the Institute in the region. **SN**



The ICS cemented its relationship with TIPC in Taiwan



The Institute discussed collaboration with ICMS in Hong Kong

## Sydney engages through 'After 5' networking

The Australia/New Zealand Branch has been far from dormant over the past few months.

While the shipping industry in Australia has taken a hit in the last year, business continues. Although the task of keeping up morale is not in the Institute syllabus, students need to know that it's not the 'end of the world' as far as shipping is concerned.

Where better to allay those fears than in a social gathering? That's the thinking of the ANZ committee who are developing activities to keep students engaged.

Following a committee meeting in Sydney in February, the branch arranged an 'After 5' function in a local pub. Guests included students and some of the branch's older Institute members based in Sydney. **SN**

## Its fun to stay at the YMCA

The Institute's economy drive is shared across all activities, including our committee meetings.

The recent Membership Committee meeting had their annual face-to-face meeting in Hong Kong, and the committee members happily took up accommodation at the local YMCA, and held their meetings at the Mariners' club.

This was the first time the Membership Committee had met outside of London and their meeting included a workshop day as well as supporting the local PREP event.

When asked about their most memorable experience of the three day meeting – this photo is the committee's response. **SN**



## Sailor's Society grateful of Hong Kong support

The Hong Kong Branch was a major supporter of The Sailors' Society on the occasion of the Sailors' Society Shipping Dinner in Hong Kong in March at the Conrad Hotel.



The antique map raised £2,000

Through the kindness of Pacific Basin Shipping, Valles Steamship, GMT Shipping, Noble Chartering, Wallem Group, Univan Shipmanagement and The Sailors' Society, the Institute director Julie Lithgow and members of the Institute's international Membership Committee were able to be among the 300 or so guests attending the event.

This raised the profile of the Institute on the night as did the copies of the Institute's Centenary Book 'Quality Ashore' which were given to the table hosts. The highlight of the evening was the live auction, during which a framed nineteenth century antique map titled 'China and Birmah', published by John Tallis in 1851 and donated by the branch, was successfully bid for by Angad Banga, executive director of Caravel Group.

Harry Banga FICS, chairman and chief executive of Caravel Group and a great supporter of the branch, unfortunately could not attend the event, but was delighted at the outcome of the auction.

The winning bid raised HK\$24,000 (£2,000) for The Sailors' Society. Mr Banga was also presented with a copy of 'Quality Ashore' and the Branch's Gold Jubilee Book. **SN**

## Melbourne Chapter dispels free trade myths

The Melbourne Chapter of the Australia and New Zealand Branch recently hosted a seminar on 'Australia's Free Trade Agreements (with Japan, South Korea and China)', presented by Derek Luxford of Hicksons Lawyers.

An FTA is just that – an 'agreement' only and, unless written into law, is not binding. Mr Luxford dispelled many of the myths surrounding FTAs, for example, that FTAs allow for unlimited trade in all goods and services. Mr Luxford also queried some of the assumptions regarding the advantages to Australian businesses and the general public these FTAs will bring.

In summary, an FTA may allow for the removal of tariffs and other barriers to trading however goods entering a country still have to comply with the internal laws for distribution of a certain product. For example, fruit entering Australia will still be subject to stringent quarantine laws. The live cattle trade is another case in point where a spot decision by the Government can realign the export and/or import terms of certain commodities.

Another myth dispelled was that the cost of goods imported into Australia would not reduce by much as Australia currently charges a tariff fee of only 5%. However, some of the products Australia would like to export presently attract tariffs between 30% and 200% in the importing countries, so there will definitely be a benefit to some Australian exporters. Mr Luxford also explained the issues around the varying rules of origin and how they would impact the free flow of certain commodities.

In conclusion, Mr Luxford explained that on the whole, FTAs should increase the amount of trade and shipping conducted between the countries but unfortunately, due to the paucity of Australian owned vessels, gains may favour the other countries in the Agreement.

The presentation was very well received by a full house of charterers, brokers and lawyers and there is work in progress to repeat the seminar in Sydney and Auckland. **SN**

## Skittles and socialising for SWW

The South Wales and West Branch arranged a student and prospective student social evening in Cardiff in April as an opportunity for a few of the branch committee members to meet with the students, and those interested in taking up the courses in the future.

Students and committee members enjoyed an informal one hour discussion before a skittles match, when other members of the branch joined in.

The evening was seen as an opportunity for the students to express any concerns that they had, and for the members of the branch to assist them where they could. Much was achieved and the opportunity to mingle afterwards in a very relaxed atmosphere was the 'icing on the cake'.

Branch chairman, Gabriel Jug hosted the evening which was arranged by the branch secretary Theo Coliandris. Alan Morris was present to ensure that the branch website was provided with a full coverage of the event.

The event was very successful and the branch is considering repeating it on a regular basis, possibly quarterly. **SN**



SWW committee members meet with students

## International flavour of Hong Kong PREP

The Hong Kong Branch organised a PREP revision day in March in support of the April exams.



Students gather at the revision day

The branch's Manson Cheung FICS arranged the event at the Hong Kong Polytechnic University campus, with the support of CY Tung International Centre for Maritime Studies.

Institute director Julie Lithgow kicked off the PREP with a session on 'Introduction, Revision Plan & Examination Techniques' and went on to present sessions on 'Introduction to Shipping' and 'Economics of Sea Transport'.

Membership Committee chairman Robert Hill FICS talked on 'Logistics and Multimodal Transport'; South Africa Branch's Tim Hastie FICS spoke on 'Liner Trades'; Netherlands-based Austin Dooley FICS gave the 'Tanker Chartering' lecture; the Greece Branch's Nikos Marmatsouris FICS spoke on 'Port Agency'; East India Branch's S Sankaran FICS delivered the 'Shipping Business' class; and Hong Kong Branch chair YK Chan FICS gave a 'Case study in Ship Management & Operations' before conducting the final wrap-up session. **SN**

## Middle East Branch honour

The Middle East Branch was honoured in the inaugural IMC Golden Bell Awards – Middle East (2015) with an award for the Best Corporate Seminar/Event.

Speaking at the live telecast event, International Maritime Club (IMC) president Sohan Roy said the awards were designed to honour maritime organisations and individuals for their unrelenting contributions to the industry.

IMC is a non-profit organisation which works for the conscious and continuous development of the maritime industry. It is a platform where professionals from various sectors of the maritime industry come together under one roof to exchange knowledge and ideas on the maritime trade and industry.

More details on club can be found on its website [www.internationalmaritimeclub.com](http://www.internationalmaritimeclub.com). **SN**



Capt Peter Machado accepts the award on behalf of the branch



## Liverpool thanks long standing committee member

At the Liverpool Branch annual meeting last November long serving committee member, Eric Preston FICS, announced that he was stepping down from branch duties.

Eric did his National Service in the RAF working in transport and logistics at RAF Lytham after which he joined Bahr Behrend & Co, a well known and respected shipping agency in Liverpool.

He spent time working at Weston Point looking after the agency for Lys Line of Norway doing ships agency, cargo bookings and claims. Later he worked in their offices in India Buildings in Liverpool and became a director attending to finance.

Eric joined the Liverpool Branch of



Immediate past chairman Tony Dixon presents Eric with the Shipbroker's Medal

the Institute as an Associate (AICS) in 1968 and shortly afterwards was elected to the Branch committee.

In 1983/1984 he was elected as the Branch chairman and between 1993 and 1995 he was elected as the International chairman of the Institute. From 2002 until 2014 Eric held the position as Branch Treasurer.

As a 'thank you' the Branch entertained Eric and his wife Raine at a local hotel where they were presented with a gift voucher and flowers.

At the branch's Annual Dinner in April the Head Office also presented Eric with the Shipbroker's Medal in recognition of the great work he has done for the Institute as a whole over the years. **SN**

## In brief

### Arbitration seminar interest

The Hong Kong Branch arranged two seminars jointly with Hong Kong Institute of Arbitrators in the first half of the year. The first on maritime fraud was delivered by Stephen Hofmeyr QC and Andrew Wales QC at the Baker & McKenzie office. There was an overwhelming attendance of close to 100 people. The speakers addressed the key types of maritime fraud: fraud involving banks (letter of credit fraud); fraud involving carriers and cargo (theft of cargo and other forms of fraud); and fraud involving the use of false documents in claims against shipowners and insurers.

A second seminar – 'A view from the London Commercial Court: recent arbitration cases' was delivered at the Baker & McKenzie office by Sir Bernard Eder, Former Judge of the High Court of England and Wales.

### Sri Lanka Branch supports WISTA

The Women's International Shipping and Trading Association (WISTA) Sri Lanka, successfully organised a 'Shipping Careers Drive' for students from ladies schools across the island in April.

The president of WISTA Sri Lanka commenced the day's proceedings, with an introduction to shipping and the various career options available to young female students.

Students met representatives of the Institute and were able to gain knowledge on the various courses are offered in the field of shipping and logistics.

Presentations were delivered on the qualifications needed to enrol in shipping related programs, how long they take, course fees and also the higher education options available after passing.

The students also took part in a quiz on shipping with questions on both the local and international arenas, technical aspects and on geographical facts to develop their interest in the shipping industry.

### Marine fuels conversation

Marine fuels were the topic of conversation at a seminar presented by Deepak Kamran at The Mariners' Club in Hong Kong in April. The

Innospec specialist covered several aspects of marine fuel challenges including the impact of low sulphur fuels, future sulphur limits legislations and what could be done to safeguard the interests of all stakeholders, a cost-benefit analysis of fuel additives and regulatory issues, among other topics.

### Inspiring young members

Davin Chan MICS, convenor of the Hong Kong Branch Young Members Group paid two visits to shipping students of Hong Kong's Polytechnic University in April to promote the Institute.

Meanwhile, the Young Members Group has registered to participate in the 4th Annual Pacific Basin Soccer Sixes to be held in early June. **SN**

**Members are strongly encouraged to fully utilise the database [www.shipbrokers.org](http://www.shipbrokers.org) to manage and update their details and make their contact details available to other members to successfully network. **SN****



The Middle East Branch welcomed students from around the region to its annual PREP session in Dubai





# Transform a life with Sailors' Society

Sailors' Society is in 47 global ports and 23 countries transforming the lives of the world's 1.5 million seafarers and their families through welfare support, education and relief of poverty and distress.

Our multi-denominational chaplains meet the needs of seafarers in port while targeted outreach programmes address welfare concerns in seafaring source communities to ensure holistic support in port, at sea and at home.

From counselling and emotional assistance, to educational grants for serving and intending seafarers, to community building projects, Sailors' Society's work is wide-ranging and life-changing.

There are so many ways you can get involved with Sailors' Society's amazing work around the world, from taking part in a fundraising event, to spreading the word about what we do.

To join us on our journey, contact Jenny at [jboland@sailors-society.org](mailto:jboland@sailors-society.org) or on +44 (0)2380 515 950 to find out what you can do today.

Charity registered in England and Wales no: 237778



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# The Secret Broker

## Joker or Broker?

This year's April Fools' Day seemed a good excuse to meet up with some buddies for an ale or three. Not too many though or it could lead to possible brain damage. Perish the thought. Fortunately, years of practice as brokers have allowed us to weather the storm on our senses and still remain compositis and articulate. No lightweights here!

One of the topics covered in our good-hearted discourse hinged upon an IMIF (International Maritime Industries Forum) meeting that took place in London at the end of March. It was reported upon by John Faraclas in his excellent weekly newsletter.

Bruce Ogilvy, Institute president, delivered a short presentation covering the current impetus of the Institute and its widening attraction. John noted that the Greek community is now outstripping any other area in student enrolment. Many people from outside the industry are enrolling taking the view that it is a business offering good opportunities. They are being fully supported by their families, including financially, in their attempts to break into the world of shipbroking.

This is a really quite a new development when compared with the historical manner in which students registered via company sponsorship and a refreshing move for shipbroking. However, we must not forget, as my friends were quick to point out, that being enrolled in the Institute, or being a student, does not guarantee success. Brokers tend not to be manufactured by passing exams and while quite a few people will pass the exams, many will never be brokers. Talent is required and education certainly adds to this, but without talent very little will be achieved.

Of course, many people have achieved success on the back of being employed in an owner's or charterer's office, passing the Institute exams and then, by being able to represent their principals, have gone on to establish a strong presence in the market. However, this privilege should not be abused.

This, unfortunately, is not always the case. Bruce stated in his presentation that it is important not to forget people who have assisted anyone on the way up in their career just in case things don't work out.

Networking is so important if used correctly and not with arrogance. Too often, brokers acting for principals can behave

in a very condescending fashion forgetting the adage that a poacher can become a good gamekeeper but a gamekeeper rarely makes a good poacher. Real broking is competitive broking. Being able to create a fixture, or a sale, from an enquiry, without having the ship or the cargo in your pocket.

Technically, anyone, qualified or not, can charter a ship, similarly anyone can buy or sell a ship. The real trick is to find the cargo or the ship and develop the deal.

That is broking. Let's face it, ships without cargo are just liabilities; no demand for cargo and the freight market falls. So no stars for the principals' brokers in those circumstances. In a bullish market though it is true to say that reality is easily forgotten and memory lapses take place.

Quite a few of the guys, on reflection, felt that they had been treated, on too many occasions, in quite a cavalier fashion by principals' brokers. This might seem a bit of an over-reaction

but it's worth mentioning as brokers have notoriously elephantine memories – it's a necessary asset to do the job.

Another point mentioned at the IMIF meeting was that only members, or potential members, of the Institute should be employed in our industry. But far too many of the most successful brokers in the global market have no letters to their name whatsoever but had the natural talent, mentioned earlier, which was nurtured within an active broking office. It would be wrong to alienate these brokers, who now are perhaps in control of shipbroking companies, from the idea of sending their fresh recruits for training with the Institute, on the basis of their apparent unworthiness.

Find it, fix it, forget it may not be too politically correct in these days of added value but if it does the job, is it so bad?

On a lighter note we are a little bewildered by the definition of our activity. Are we brokers practicing shipbroking or are we brokers engaged in brokering or brokerage? Shipbroking? Is that really English? Plumbers, plumbing, plumberage? Lawyers, lawyering, lawyerage? Answers on a postcard please! **SN**







# the stern

## A WHALE OF A TIME?

Ships have long been blamed for the death of whales in worrying numbers, but a lack of scientific support has meant that no one really knew what to do about it. That could be about to change.

For the first time, scientists have linked whale- and ship-tracking data to see how whales react to vessels passing close by.

Researchers tagged hundreds of blue whales with GPS sensors and tracked the movements of nearby ships in the waters near the ports of Los Angeles and Long Beach. Over the course of four summers, the researchers observed 20 'close calls' between ships and nine individual whales. Their research found that the whales' responses to rumbling ships were inconsistent: many didn't respond at all and some dived, but at a slower than usual pace.

One biologist involved in the study explained that when blue whales dive for krill under normal circumstances, they tend to accelerate to gather momentum, then angle down sharply and zoom down into the depths. But when threatened by ships, the whales simply pivoted and sank at a shallower angle and slower speed than normal – sometimes underneath the ship, rather than away from its path.

"It's not part of their evolutionary history to have cargo ships killing them, so they haven't developed behavioural responses to this threat," said Jeremy Goldbogen, an assistant professor at Stanford's Hopkins Marine Station in Pacific Grove and senior author of the study, which looked at blue whales. And if a strike is fatal, the individual never gets the opportunity to adapt.

The researchers have called for a reduction in ship speeds to make the "difference between survival and mortality".

Reduced ship speeds have already been successfully piloted in some areas. Last year, a California programme offered financial incentives for shipping lines that slowed down through known whale feeding areas between Point Conception and the ports of Los Angeles and Long Beach. Ship routes through those areas were also slightly altered in an attempt to avoid areas the animals frequented.

While it's not a strategy that's widely enforced yet, it could soon appear on the agendas of legislators to protect these ancient giants from the modern day king of the seas. **SN**

## THROUGH THE LENS – A GIFT WITH ADDED LIFT

Stuck for a gift to butter up the boss? Got a landmark birthday for a colleague coming up? Fear not, here's a kitsch gift idea that could save your bacon. Harnessing the power of 3D printing, San Francisco-based Freeformind has designed shipping crane cufflinks that feature a 3D rendition of the cranes that line the Port of Oakland quays. They're made of 3D-printed stainless steel.

3D printing – says the manufacturer – enables the creation of objects that "would be unreasonable to manufacture in any other process. Our shipping cranes take full advantage of this design freedom."

Apparently, the Port of Oakland's cranes were the inspiration behind the imperial walkers in George Lucas' Star Wars movies. This really is the gift that keeps on giving.

View the cranes in the Landmarks collection at Freeformind.com.

**SN**



Adding lift to shirt cuffs

## SHIPPING SPEAK

“Owners with **deep pockets** are quite pleased to see **blood on the street**. They feel that's going to help them **stabilise** the market.” Anil Sharma, chief executive of GMS, the largest cash buyer of ships for recycling, comments on increased scrapping that owners believe will help to eliminate fleet oversupply.

“Global rules for a global shipping industry is **not just a slogan**... [a] **very bad** situation can result when nations decide to adopt maritime rules **unilaterally**”, International Chamber of Shipping chairman Masamichi Morooka criticises US moves on unilateral and regional regulation in advance of the International Maritime Organisation completing its work.

”

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## Dry Cargo Broker, London

We are currently working with a niche broker in London who is looking to expand their Dry Broking team. In this role, you will be working as a facilitator between charterers and shipowners, building new relationships and business. We are ideally looking for someone with experience as a broker, who is a good team player with an outgoing personality and a professional approach to client relationships.

To apply, please go online:  
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## FFA Broker – Dubai

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