



SHIPPINGNetwork

The official magazine of the Institute of Chartered Shipbrokers

Promoting professionalism in the shipping industry worldwide

Issue 40 March 2015

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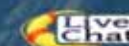


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Transformation from desert to global power

Middle East Branch president **Peter Machado** explains why Dubai's journey sums up positivity



**Capt
Machado**

Dubai, United Arab Emirates, could not be a more fitting location to encapsulate this issue's theme of 'positivity'. To explain the success of Dubai with the mantra 'if you build it, they will come' is arguably too simplistic.

Even as recently as the mid-1990s, a question I was frequently asked was, "where is Dubai? Is it part of Saudi Arabia?" How times have changed. My explanation for the success of the UAE and specifically Dubai today is the combined result of ambition, planning, effective execution and, above all positivity.

There is another adage that is fitting to Dubai: 'dream big'. The late HH Sheikh Rashid Al Maktoum, affectionately known and remembered as the father of Dubai, had Jebel Ali Port built (67 berths for deep draft ships) in the 1970s in what was a sandy lot. There were many who questioned his thinking and intent, but he had a vision of future needs to come; a legacy multiplied many times over by his sons.

The current ruler of Dubai, Sheikh Mohammed Al Maktoum put Dubai on the world map in many sectors including travel and tourism, industry and commerce, sport and recreation, conferences and exhibitions, health and education. This is indeed extraordinary as Dubai has very few natural resources and only 3% of GDP is revenue from the sale of oil.

CHANGING DYNAMICS

We live in a constantly changing dynamic world and successful countries – like the UAE – will be the ones that create new opportunities and jobs for their people; provide a safe, secure, healthy living environment; secure natural resources from around the world; build an export-based economy; build extraordinary financial reserves; make long term investments in infrastructure, education and other resources including communication and optimal use of digital and mobile technology; and who innovate on a scale never seen before. And ultimately, with economic power comes political power and the ability to bring positive change on the worldwide stage.

But positivity in the shipping markets is an elusive sentiment. Even until the end of the third quarter of 2014, the shipping industry was expected to decline in 2015 by 5%-10% due to oversupply of ships and high oil prices. But then oil prices dropped 50% and look like they could decrease further still. Laid-up tankers are being reactivated as oil traders use ships to store and build up stocks in anticipation of short-term profits from an oil price rebound. However, with oil-producing countries keeping production constant, oil prices are unlikely to rise to the heady level of \$100 per barrel from the past as the market continues to have an oversupply of oil.

STEADY PATH

My own prognosis for shipping in 2015 is not to expect too much change. In the East, Japan expects 0% growth, while China and



Credit: Miroslav Petrasko

With its can-do attitude Dubai oozes positivity

India are reducing growth forecasts. The US economy remains positive. Europe has a lot of challenges and Germany, the anchor of all of Europe, has reduced its growth forecast from 2% to 1%.

Excess supply of tonnage will remain a challenge and the market will stay competitive. Pragmatism and survival economics will prevail, which will result in more mergers and acquisitions activity. I see more movement to third-party management to reduce the human cost and evolving positive, constructive and innovative partnerships between owners, operators/managers, cargo owners, new building yards and service providers. Reduced fuel costs will result in increased earnings before interest, taxes, depreciation, and amortization for shipping companies, which will be further complemented by increased operating efficiencies including more automation, a reduction in paperwork, greater transparency and, at the risk of repeating myself, more genuine innovative partnerships. Overall, 2015 should be marginally better than 2014 for shipping, which really is a positive reality.

Staying on this positive note, the ICS Middle East Branch continues to stay busy with the most effective sector being education and I am happy to preside over a more vibrant, financially stable and sustainable branch. As I write this, we have commenced our 'Knowledge Series', preparing students for the April 2015 examinations. This gives me a perfect opportunity to close by saying a big thank you to the ICS Middle East Branch committee and membership as well as the Controlling Council members who shared their knowledge and experience with us in Dubai in November 2014. I wish you fair winds and following seas – let's build on the positivity of today.

Capt Peter Machado

Middle East Branch president **SN**



Stepping out of the shadows

This is not an industry known for its positive outlook. Frankly speaking, more often than not it can be described as downright pessimistic. The tentative noises made about shoots of recovery – which have been made for the past seven years – are never uttered with much conviction. All in all, we are a negative bunch.

Why is that? We work in the world's biggest industry; we each play our part in equipping schools with desks, hospitals with medicines and power stations with fuel to heat or cool houses, depending on where you are. We bring toys to children and ear plugs to parents, chemicals to chemists and materials to manufacturers. What we do matters.

And there is plenty to be upbeat about; you just have to be receptive to a lift in mood. There's

still pleasure to be had from the networking side of the business, which is very much alive and kicking despite expectations of screens replacing the need to actually meet contacts. Falling bunker prices should be celebrated with more gusto – after all, aren't we the same bunch that have been lamenting crippling fuel costs for the past five years? Both of shipping's main arteries are being expanded as a testament to the future strength of our business. And, against many expectations, Nicaragua's canal may actually move from the dusty drawing board to reality with Chinese assistance – a further vote of confidence. There's much to be positive about.

Go on, crack a smile. I dare you. **SN**

Carly Fields, FICS

Editor

Transformation from desert to global power

Middle East Branch president Peter Machado explains why Dubai's journey sums up positivity

Meeting the rule of unintended consequences

Felicity Landon explains how some rules and incidences have had unintended positive effects

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One man's loss is another man's gain

Stop focusing on the losers and start recognising the winners says Andrew Lansdale

For shipping the third cut is the deepest

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Working together for the common good

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Changing the world, one port at a time

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Hospitality is key to breeding positivity

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Offering a different perspective on the maritime industry

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Meeting the rule of unintended consequences

Felicity Landon explains how some rules and incidences have had unintended positive effects



Felicity
Landon

Monty Python told us to “Always look on the bright of life”. Or, as our grandmothers would have put it: ‘Every cloud has a silver lining’. So, while understanding that the shipping industry is really quite good at having a moan, here’s to positivity!

More regulation, anybody? No, probably not. But before we embark on that ‘regulatory burden’ rant, we could remember that some rules and regulations have had unintended or unexpected positive effects. Take the Long-Range Identification and Tracking (LRIT) system and the way in which LRIT information, channelled through the IMO’s Information Distribution Facility (IDF) to naval forces, has helped in the battle against piracy.

● Topic: Consequences

I Keywords: Silver linings, casualties, conventions

Background: Reactions to shipping incidents and the implementation of costly regulations aren’t always as expected

The IMO says Flag State LRIT information “helps security forces to build a more accurate picture of the ships operating in the Gulf of Aden and the western Indian Ocean and to deploy the available naval and military resources in a more effective and efficient way in order to enhance the protection of all shipping transiting the area.”

“Sometimes it’s the battle against unwanted regulation that delivers unexpected positives”

In fact, ‘silver linings’ can easily be found in the shipping world. Let’s think back to the ash cloud of 2010. If Iceland’s volcanic eruption left you stranded in some godforsaken airport for days, then apologies, perhaps this one isn’t for you. But the famous ash cloud certainly highlighted the blessings of travelling at sea, as opposed to low-cost, low-politeness, not-a-single-frill airlines. Ferry operator Stena Line carried 9,000 additional passengers on its Harwich-Hook of Holland route during the ash cloud crisis and, along with many others, was quick to take advantage of this unexpected marketing opportunity.

DISASTER STRIKES

And while it’s unfortunate that the mainstream media pretty much ignores the maritime sector unless there’s a disaster or other drama to make the headlines, even misfortunes can have a positive side.



Credit: Southern Rhapsody

The actions of the pilot were praised in the *Hoegh Osaka* casualty

When the *MSC Napoli* was beached off Branscombe in Devon, UK, we were given endless footage of bounty hunters swarming on to the beach. But, as container after container was washed ashore and their contents exposed, the scene was like an advertisement for the relevance and importance of shipping to everyone’s everyday lives; the scene was described as an “Aladdin’s cave”, with the cargo including motorbikes, steering wheels, carpets, beauty creams, shoes, golf clubs, oil paintings, pet food and camcorders.

Incidentally, the *MSC Napoli* brought an unexpected boost in business for the Port of Portland, 40 miles west of Branscombe; the containers removed from the ship were delivered by barge to Portland, where they were offloaded and inspected. Some were shipped out on feeder ships, others left by road, and those that were salt water-laden and damaged or oiled were processed and disposed of.

If disaster is the only way that the general public become aware of shipping, then the grounding of the car carrier *Hoegh Osaka* on the Bramble Bank at Southampton, UK, in January was another example of ‘positivity’.

The UK Maritime Pilots’ Association was quick to put out a press statement emphasising that 95% of UK trade is done by sea transport through UK ports, and the role of maritime pilots in this, and praising the “quick thinking, decisions and actions” of the pilot, master and bridge team. The action taken, said the statement, “resulted not only in the prevention of a major catastrophic event for the ship but, most importantly, saving the lives of the 25 crew members.

“The decision also ensured the continuing unimpeded operation of one of the UK’s major ports and protected the local marine environment from potential significant pollution had the fuel tanks been inundated.”

Having grounded the ship intentionally to prevent further deterioration of the ship's life threatening list, the pilot played a major role in the co-ordination of the crew's rescue by the emergency services, said the statement. "All this was possible as a result of the extensive high-quality training that UK maritime pilots are required to undertake, coupled with significant local knowledge and experience gained through years of professional practice."

And emphatically getting its message across, the UKMPA statement added: "The sound of safety is silence, yet in some quarters of the UK ports industry there is a misconception that because everything is going right then there must be no need to operate pilotage services at such high levels of expertise and training. This conveniently overlooks that it is exactly because of the significant investment in pilotage operations that on a day-to-day basis UK pilots safely conduct thousands of ship movements without high-profile incident, dealing with the complexities as they arrive."

RUNNING REGULATIONS

Sometimes it's the battle against unwanted regulation that delivers unexpected positives. Consider the campaigns against EU regulation in the form of the proposed Port Services Directive. This is the third attempt by the EU to impose such regulation, and the opposition is bringing together some unlikely allies, including port owners and unions.

Similarly, back in 2008-2009, the British government's introduction of a new business rates system – backdated – in ports around England and Wales prompted fury, as port businesses faced bills that could have wiped them out. If government ministers at the time thought port businesses would have a moan and then quietly give in and write out their cheques for millions of pounds, they were very wrong.

Again, it was a battle that created new alliances. Companies that were ordinarily in direct competition and perhaps barely on speaking terms suddenly formed a united front – and in many cases found they actually quite liked each other!

"Opposition to the EU Port Services Directive is bringing together some unlikely allies, including port owners and unions"

Some headlines, however, are happier than others. When the 19,100 teu CSCL *Globe* called at the Port of Felixstowe in January, Tim Clarke, who completes his term as chairman of Harwich Haven Authority at the end of March [2015], said: "For anyone who tried to get down to the viewpoint when the CSCL *Globe* was in, the road to Landguard Fort was absolutely packed. We have shone a light on our activity, which normally we hide under a bushel. We are great at business-to-business but we don't do enough to get the message out there."

Neil Davidson, senior analyst, ports and terminals, at Drewry, said: "The fact is that so many ordinary people became aware of this enormous container ship coming into Felixstowe. So many people have commented on it – people who have probably never given much thought to shipping before." **SN**



Credit: Joe Dunckley

The MSC Napoli grounding brought an unexpected boost in business to Portland

Remember the bigger picture for emissions cap

Of course, some regulation is welcomed by some and not by others. The EU's Sulphur Emissions Control Area regulations, which entered into force in January, are a case in point. Plenty has been said and written about the risk that the rules on low-sulphur fuel will cause a 'modal backshift', with the higher cost of low-sulphur marine fuel pushing freight back on to roads.

It's easy to lose sight of what's behind the SECAs. The European Commission, in a set of FAQs, emphasises the positive effects of the emission reductions on human health and says: "We need to remember that the savings on health and the environmental benefits far exceed the costs [of higher-priced fuel]. Northern Europe, including the Baltic region, will benefit most from reduced sulphur emissions, due to its particular sensitivity to acidification. And let's not forget that the EU is not the only region with such restrictions in force. Similar areas

have now been agreed in the US/North America, and more will follow. There is widespread acceptance by stakeholders that this is the way forward."

Incidentally, sticking to the rules – and, indeed going above and beyond them – can end up being very useful. Harwich Haven Authority was recently informed that the government's plans for a Marine Conservation Zone (MCZ) which would have included the Stour and Orwell have been shelved. The area under HHA's control was rejected primarily because of concerns from the Haven ports and other bodies regarding the socio-economic impact of the designation and potential restrictions it would bring, but also because of the high level of protection already in place. The ruling highlighted existing environmental designations in the area 'and the environmental stewardship provided by port and harbour authorities and others'. **SN**

Make time to put the face to the name

Carly Fields finds that face-to-face networking is very much alive and kicking in the 21st century



Carly Fields

Networking: it's a word that can whip up cold sweats and sleepless nights for some while others thrive on the opportunity to reach out to new contacts and acquaintances. It's also a word that some smart folk thought would be assigned to the history books as modern day technology took hold and people turned to their tablet or smartphone, negating the need for face-to-face meetings.

● Topic: Youth

I Keywords: events, face time, relationships

Background: Screen time cannot replace face-to-face time in the relationship-heavy world of shipping

In shipping, there were the 'seers' who envisaged an industry where everything could be done virtually. Indeed there are still companies today wishing that could be the case so that they can slash travel budgets and save money. But while as an industry we may have become more discerning about the networking we undertake – perhaps turning down the proverbial letter opening now – there is no denying that networking is still an important facet of this industry. And like it or not, it is here to stay for the foreseeable future.

Young shipping professionals fly the flag for networking, celebrating the vigour of youth and proving that a tech-savvy generation cannot find everything needed for a successful career in shipping on a smartphone.

Speaking to the *Shipping Network*, the Baltic Exchange's Crispin Eccleston, responsible for the Young Baltic Association, believes that networking today carries more impact because it happens less frequently. "I've heard of junior brokers stopped from travelling to events to save cost. In highly competitive markets you can understand the budget concern, but the danger of missing a chance to get to know your clients or finding out how they like to do business is clearly detrimental – ask any principal."

BUSINESS IS RELATIONSHIPS

"When I started out looking for a job, a senior broker drilled into me that 'business is relationships'; in no other industry is



Credit: Baltic Exchange

The YBA hosts five parties in Asia every year

this mantra more vital than shipping today. A generation ago, the Baltic with its bars and restaurants created a daily environment for building your network with 3,000 other members before the traditional trading floors were wiped off the face of London. Today, with modern communications and the shift East in chartering authority, the spread of shipping people is far and wide, making networking more tricky.



"There's a new generation coming into the industry which is used to living online, so perhaps more digitised networking is somewhere on the horizon but it certainly won't replace 'real' relationships,"
Crispin Eccleston, YBA

"However, if you make the effort you do stand out; when we hold a party in Shanghai, Singapore, London or any shipping hub, you will, without fail, overhear people 'finally' getting to meet, perhaps having tried to fix together through instant messenger (IM) or on the phone for months. Hearing the daily flow of information into the Baltic, it's always great to see a

fixture done with people you know made the connection, 'finally' getting to know each other at a YBA event."

Young Professionals in Shipping Hong Kong (YPSN) co-founder Tabitha Logan agrees that face-to-face networking is still very much alive in shipping: "In our view, face-to-face networking is even more important than it was a generation ago. The idea behind YPSN was to provide a relaxed platform for our members to network and develop their own business relationships. Its success has proved the value this generation still place on face time. With the advent of email and social media, it's easy to see how people may believe face-to-face networking has had its time. However, shipping is and, we believe, will remain for some time, a face-to-face industry. We believe the value of personal contact will never be replicated by other methods of communication."

In Ms Logan's view, face-to-face contact allows for strengthening business ties in an international market; a better environment for brokering and negotiating deals as well as in solving complex problems; creating new strategies which are often better developed with everyone round the same table and with the ability to read each other's body language; and putting a face to the name. "Setting up a personal meeting shows you have taken the time and initiative to developing this relationship," she says.

MEETING PLACE

Founded in 2010, YPSN Hong Kong has grown from an informal social gathering of friends and colleagues into an incorporated non-profit association, holding events attracting over 200 attendees. It aims to provide a forum for young professionals to network and interact with their peers within the industry and to promote the shipping industry as an exciting and viable career path for the next generation.

Its membership has grown year-on-year and it has developed a strong name for itself within the industry. Every year, YPSN runs four seasonal networking events, one to two seminars relating to maritime issues, an education workshop promoting careers in the industry – at the Hong Kong Maritime Museum – and one sporting event, The Pacific Basin Soccer Sixes.

It is approached by a number of organisations each year asking it to co-host and organise or put on YPSN events, such as the China Maritime Conference and the Asia Maritime and Logistics Week. YPSN was also invited to go to Posidonia and on a London roadshow promoting the maritime industry in Hong Kong.

Back in London, Mr Eccleston believes that there is no obvious replacement for face-to-face networking. "What does the same job: Skype or IM?" he asks. "If it weren't for the current oil plummet you might factor in the ever-increasing cost of travel but in the shorter term there's no chance of networking face-to-face becoming redundant. Firstly, and unlike many other industries where a bleary-eyed breakfast coffee with eggs is as good as it gets, in shipping networking is

Networking as far as the eye can see

The shipping industry is lucky enough to have a wealth of networking organisations for young professionals, wherever they might be based.

In China, Young Professionals in Shipping Network PRC was founded in Shanghai in 2012. It holds sponsored social events on a quarterly basis, in a relaxed environment where shipping peers enjoy creating friendships, enhancing knowledge of the business/industry, and developing future business opportunities.

YoungShip has a longer history, having been founded in 2004 in Bergen, Norway. Today, its global network counts more than 2,500 individual members in Oslo, Møre, Haugesund, Stavanger, Kristiansand, Trondheim, Singapore, Cyprus, Dubai, Liverpool, Brazil (Rio) and Mexico. It also has sister organisations in Greece, New York, London, Australia and Hong Kong.

Meanwhile, the Shipping Professional Network in London (SPNL) was founded in 2007 as a meeting place for young shipping professionals in London. It has a membership of over 1,000 and holds regular events in London. Through the Shipping Professional Network International, SPNL is connected with other UK regions, Copenhagen and Hamburg.

To find out more visit ypsnprc.com, youngship.com, or spnl.co.uk. [SN](#)

fun which creates a natural incentive. Second, good personal networkers fix more ships.

"In the past, companies have tried to digitise fixtures, putting them on screens matching cargoes with ships, but it's never taken off and the reason is that principals rely on relationships. There's certainly benefit from negotiating through an intermediary and principals are reassured by the broker's view on the wider market too, but most importantly it's the reliability; a good broker spots pitfalls and this trust grows from getting to know one another personally."

Ms Logan adds that technology can assist faster and more efficient business in a constantly changing environment: "A ship opens on a market. You send an email and you may fix her on subs almost instantaneously. However, technology is no replacement for personal relationships. When a problem arises, it is the relationship which you have with your counterpart



YPSN hosts the Pacific Basin Soccer Sixes

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that helps mediate/fix the problem. Hardly ever is technology the factor that resolves a problem."

FUTURE CHANGE

Mr Eccleston is, however, open to the idea that this may change in the future. "A well seasoned capesize broker told me how he let his daughter have friends over for her birthday last summer. He bought some alcopops and waited for the chaos. Being a middle-aged rocker, he was pretty devastated when they sat round in groups staring at iPads and Blackberrys missing their chance to party 'properly'.

"There's a new generation coming into the industry which is used to living online, so perhaps more digitised networking is somewhere on the horizon but it certainly won't replace 'real' relationships, at least not until the youngsters take charge of the chartering desks."

For its part, the Young Baltic Association hosts four major events for about 200 people in London, two big parties in Shanghai and about three in Singapore every year. Last year it made plans to join the Copenhagen party scene with its first YBA there, but ran out of time before December struck.

"There's always plenty of banter about who's moving where and aside from setting up a second Asia office ourselves based in Shanghai, we've seen a fair few YBA stalwarts heading East in recent months either to setup or support their offices there. After relocating, having a YBA night to head to is a great way to get in with the local shipping crowd and in coming months we'll be looking to do more in Asia. This includes the launch of branches of our sports clubs which thrive and have really tight groups in the UK."

Outside of this, a number of smaller get-togethers are held on the first Thursday of every month in the Baltic bar in London. Generally the numbers attending



"The value of personal contact will never be replicated by other methods of communication,"
Tabitha Logan,
YPSN Hong Kong

have not changed much over my time. "Essentially," says Mr Eccleston, "if you put on a good night, shipping people will come."

Looking to the future, young shipping professionals offer up a mixed bag of opinions on the direction of the industry.

"We're seeing some serious consolidation on the London broking scene with ACM Braemar, Maersk-Lightship, ICAP joining Howe Robinson and Clarksons buying out RS Platou in the biggest broker-takeover ever seen, to name just some," says Mr Eccleston. "Although it's painful in the short term for many members, positioning like this hopefully suggests companies buying at the bottom with the long game in mind, so hopefully there's reason for optimism."

WHAT GOES AROUND

"I've been told twice in the past week by non-Young Baltic Association members that shipping has an uncanny way of always surprising you; this is reassuring for those that have seen the cycle once, twice or more but for our guys, who are under 35, these are pretty unsettling times. The key focus is always to take care of your counterparties and if you can get close to a piece of business in this market, you'll be in a great position when things pick up."

Ms Logan adds that while there's not much optimism for the near future given the oversupply issue, with over 90% of world trade still being transported by shipping, it is difficult not to be optimistic about the future.

"The industry is here to stay and often there are business opportunities to be seized in a downturn market. In this regard, personal relationships are key to building a sustainable career in this industry."

"Like any other industry though, the next generation will have to adapt to suit changing business environments and trends." **SN**

For more information on Young Professionals in Shipping Hong Kong please go to www.ypsnhk.com. For more information on the Young Baltic Association, please contact Crispin Eccleston on +44 (0)20 7369 1654 or ceccleston@balticexchange.com.



Credit: YPSN

Personal contact takes some beating in the shipping world

One man's loss is another man's gain

Stop focusing on the losers and start recognising the winners says [Andrew Lansdale](#)



Andrew
Lansdale

Shipowners, whether an actual beneficial owner or a disponent owner, are a positive lot. Why else would they enter such a competitive business environment? Of course, many observers realise that the industry has earnings beset by peaks and troughs, but there seem to be many others who only see the troughs and turn a blind eye to the peaks. Many Wall Street analysts are guilty of that.

● Topic: Markets

I Keywords: supply/demand, tankers, bulk carriers

Background: Falling oil prices might be bemoaned by some but a large upside is a rise in demand for tankers

They see the negativity associated with oil; they see the Opec decision to maintain oil production at its present level as damaging to everyone in the petrochemical industry. They recognise the losers, but fail to see the winners. But there are those that see cheap oil as an opportunity. China, for instance, took a commercial decision as oil prices began their sharp fall. Reuters estimates that the country imported 30m tonnes of crude oil in December, nearly five million tonnes up on its monthly average, and a similar amount in January. That's about an extra four VLCC cargoes every week.

So before Christmas the VLCC Middle East Gulf/Japan rate hit nearly \$100,000 per day. Wall Street's reaction was disdainfully muted for tanker stocks. If we look at Tsakos Energy Navigation (TEN): its high point was nearly four years ago when its share price rose above \$18. By December 2012, it fell to nearly \$3. The present tanker boom, which should have pushed the share price back up close to \$18 again, saw it rise to just over \$7.

Euronav saw a similar share price slide and the recent boom saw it recover to \$10. Double Hull Tankers (DHT) saw its share price peak at \$61.50 in 2011, then slump to less than \$4 two years ago. It has now recovered to \$6.90. John Fredriksen-run Frontline peaked at nearly NOK360 in the middle of 2008. It slumped to NOK10 five years later. It is now around NOK18.

PROGRESS MADE

Perhaps stock market observers should look at progress this year, particularly with the large one-million and two-million barrel crude

"Will the fall in oil prices continue this year is a question being asked. The simple answer is a resounding 'yes'"



Credit: J Hikka

carriers. The one-million barrel suezmax tankers have averaged between \$25,000 and \$30,000 per day over 2014. Two-million barrel VLCCs have averaged \$25,000 per day for a Middle East to Japan trade and close to \$40,000 per day for trading in the Atlantic. Their earnings have been very much assisted by the fall in crude oil prices which in turn have pushed the cost of bunker fuel down significantly.

In Rotterdam, in January 2014, the price of 380 centistokes fuel oil was more than \$600 per tonne. By the end of the year it had fallen to little more than \$300. Marine diesel oil (MDO) showed a similar pattern: from more than \$930 in January 2014 to about \$475 by the turn of the year. And so long as crude oil prices continue to fall, so will the costs of ships' bunkers; incidentally a shipowner's largest financial outlay.

But will the fall in oil prices continue this year is a question being asked. The simple answer is a resounding 'yes'. Oil supplies are likely to grow well into this year. US shale oil, widely seen by many as the most vulnerable to a further fall in oil prices, will increase oil production, despite the financial pressures it faces. Oil giant BP will shrink its workforce and impose a pay freeze. Its extensive research must lead it to the realisation that oil price falls will continue.

Large producers, elsewhere in the world, such as Saudi Arabia will make nothing more than notional cuts in output. But later this year, the law of supply and demand will begin to kick in. Lower crude prices will stimulate worldwide demand but the damaging lack of investment in the oil industry will choke off supply, especially in the US. So this will be good for the purchasers of bunker fuel such as spot-market shipowners and time charterers.

In the tanker market, increases in fleet size are probably manageable. There are currently about 600 VLCCs on the water. This year there are 30 newbuilding VLCCs entering service with a further 50 or so delivering next year. But some have effectively

been withdrawn from trade. Oil companies and oil traders have taken numerous VLCCs on long-term timecharter. These will store crude oil in strategic areas of the world to await an increase in crude oil prices. The fact that most of these timecharters are for a year or more, demonstrates the likely timing of a price increase.

DRY BULK BUST

In the dry bulk market, earnings are under a bit more pressure. Brazilian mining giant Vale introduced its Valemax 400,000 dwt bulk carriers to lift its iron ore into China. Then of course, Chinese bulk carrier owners squealed. As everyone knows, China introduced a ban on these ships, although at one or two ports, this now appears to be quietly ignored. But it is unclear whether they are taking full cargoes into China; probably not. When the full fleet of Brazilian-operated Valemaxes are in service, they will be able to ship about 44m tonnes of iron ore per year. China's appetite for ore is about two thirds of the 1.3bn tonnes seaborne iron ore trade. China has ordered a further 20 vessels of this size and will eventually dominate Brazil's iron ore exports. It is a sort of maritime hegemony. He who pays the piper calls the tune.

But Brazil, with Chinese help, needs to reduce its delivered price of iron ore to China to compete with Rio Tinto and BHP Billiton. At \$70 per tonne FOB Brazil, Vale is barely breaking even. BHP can still make a profit at \$50 per tonne, while Rio Tinto's breakeven point is in the low \$40 per tonne. The rates are around \$12 per tonne from Brazil to the Far East and about \$5 from West Australian ports. The cost of transporting transhipped Brazilian iron ore from Subic Bay to China is about \$3.50 per tonne.

So the future is still rosy for the likes of BHP Billiton and Rio Tinto as they will continue to be the most financially attractive option for Chinese steelmakers, until the Valemax newbuildings enter the fray. Thus it

will also be good for bulk carrier owners of 150,000 dwt-200,000 dwt if the Chinese economy increases from a trot to a canter. But for the time being, this is unlikely as the sharp increase in domestic debt, weak property sales, poor fixed asset investment and a lacklustre manufacturing performance will act as a brake. The economic racehorse of the past will still be pulling a plough this year, causing deflationary pressures.

JAPAN FIX

But as a remedy for deflation, we must take a look at Japan as a model. Its 'Abenomics' describes the multi-pronged economic programme of Japanese Prime Minister Shinzō Abe. Abenomics seeks to remedy two decades of stagnation by boosting government spending, increasing Japan's money supply and enacting reforms to make the economy more competitive.

But after two years, it is not working. It has been effective in pushing down the yen as intended. But its weakness has not only failed to increase exports but inflicted pain on small businesses and consumers by increasing prices of imported food and fuel. But on the positive side, a weaker yen is helping the world's second largest shipbuilding country. Its orderbook amounts to 674 ships of more than 28m gross tons. This compares with 626 vessels of 26.4m gross tons one year ago. Half of these are heading for export markets, a rise of 1.6% year on year: so happy smiles on Japanese faces.

Not so the Chinese; their smiles are somewhat forced. But the world's largest shipbuilding nation negotiated newbuilding orders totalling almost 60m dwt last year. China's Ministry of Industry and Information Technology reported on its website that this represented an on-year fall of more than 14%.

In all shipping sectors, we must make the best of the cards we have been dealt. As the old rhyme tells us: "Round and round and round, go all appointed things. Because losses on the roundabouts mean profits on the swings." **SN**

"In all shipping sectors, we must make the best of the cards we have been dealt"



Credit: Agencia Vale

China's easing of its ban on Valemaxes will help Brazil compete on iron ore prices

For shipping the third cut is the deepest

Felicity Landon explains why investment in three canals is a vote of confidence in shipping



Felicity
Landon

It's hard to imagine the world of shipping without the Panama or Suez canals. Both are investing huge sums in expansion projects – and now there's another link to consider, the planned Nicaragua Canal.

Topic: Waterways

Keywords: Investment, expansion, shipping arteries

Background: Major expansion and development of the world's key waterways proves that shipping has a robust future

The centenary celebrations of the Panama Canal last year didn't, in the end, coincide with the completion of the canal's \$5.2bn expansion – the project is now due to be finished in 2016. The dates may have been pushed back, but the impact is still predicted to be dramatic.

The Panama Canal Authority (ACP) has described the expansion as "history in the making", with one spokesman saying: "Just as the construction of the Panama Canal changed the course of history a century ago, today's expansion represents a game change for traders and consumers alike."

Drewry Maritime Research has forecast a double-digit growth in Panama transshipment activity as a result of the expansion,



The Suez Canal expansion is expected to be finished by the end of the year

Credit: US Navy

followed by annual growth of about 5%. Many key ports near (and not so near) the canal are hoping to benefit. Panama expects its own maritime cluster to increase significantly, once larger ships and new customers are able to use this strategic route. The construction, in two phases, of a new 5m teu transshipment port in Panama's Corozal region is awaiting approval from the country's national assembly.

The expansion project will take the canal's capacity from traditional panamax to handling ships of 14,000 teu. But this isn't just about container shipping, as ACP has pointed out. As well as post-panamax container vessels, it is predicting new business such as LNG shipping using the canal.

Suez adapts to industry's needs

Construction of the Suez Canal's expansion started in August 2014 and is expected to take a year. When complete, it is expected to double the canal's capacity from 49 to 97 ships a day.

This will be achieved by creating a stretch of new canal, parallel to the existing one, and also deepened and widening key bypasses – to allow traffic in two directions in the longest parts of the canal and reduce waiting time for transiting ships.

"The Suez Canal is bigger than the Panama anyway, so less restricted in ship size," says OSC's Dean Davison. "This project is all about capacity – Suez is 100% essential to the Asia-Europe trade, so access has to be good. This is another example of one of the most key pieces of global infrastructure adapting to the industry's needs."

However, Neil Davidson of Drewry says: "It's a very positive story they are talking but it seems to be more politically motivated. They are trying to bring the country together and hoping for good economic growth. I haven't seen any detailed study of demand or any proof of the extra growth in traffic they are forecasting."

"Whatever growth in traffic the canal sees, it will be driven by world macro factors, rather than Egypt itself. There are much bigger forces at work that drive the flow of traffic through the canal." **SN**

CONTAINERSHIP BIAS

Dean Davison, principal consultant with Ocean Shipping Consultants, says: "Until now, the 5,000 teu limit has placed restrictions on the industry. Yes, the fact that this expansion is nearly there is positive – but it really needed to happen anyway. There may well be some other types of vessels looking to use the canal, but it is container vessels that make up such a big proportion of the revenue being generated – and the increase in container ship size has been so much more dramatic than for any other cargo sectors."

From a shipping point of view, operators will benefit from greater economies of scale by bringing larger ships with more cargo through the canal and this will reduce the operating costs per container, he says. "The expansion is facilitating the growth and trends of the industry – it's like a step change. It's a big jump from 5,000 teu to 14,000 teu ships going through the canal."

And what will be the spin-off for transshipment ports in the region? "Well, it's like the National Lottery – you have to be in it to win it. Any port not seen to be able to handle the bigger ships coming through the canal can't be competing to handle that traffic."

"The US east coast and Gulf ports have been gearing up for a while. Virginia has always had deeper water. New York will

benefit from the raising of the Bayonne Bridge. Savannah has been tremendously proactive. But even the smaller ports are trying to keep pace and, of course, they will need to be ready for some of the cascading of larger ships into other trade lanes. From north to south, shipping is also getting bigger."

Balboa, the largest port on Panama's Pacific coast, is expected to be a major beneficiary of the expansion. "It is right at the mouth of the canal, so ships are going through anyway, so it offers a great opportunity to drop off cargo," says Mr Davison.

Overall, he points out, transshipment is highly competitive – the Caribbean offers a choice of several hubs and while some shipping lines want their own dedicated facilities, from a port's point of view a more common user approach makes it highly competitive.

"Because there is so much competition, it is very difficult for someone new to break into the market – if it's an established, good terminal operation in a recognised location, it will be easier to expand. Shipping lines' networks have become more complex but ultimately it's about the A to B link. The days when it was all about speed have clearly gone – now it is about reliability."

CHAIN REACTION

Neil Davidson, senior analyst, ports & terminals at Drewry, says: "The Panama Canal expansion is positive and also a necessity. They have had to change because of the rapid growth in ship size – so you could say they are simply reacting to a changing world. But it is positive in the sense that they are still prepared to spend \$5bn and are confident of getting that money back."

ACP has done a great deal of work assessing demand and traffic flows and research in order to weigh up the value of making the investment, says Mr Davidson. "It has been a very thorough, solid process to get to where they are now, at the point of issuing the new toll structure.

"However, traffic flowing through the Panama Canal – like Suez – is influenced to a large extent by big macro factors at a global level. Similarly, in terms of freight flows, just building a new canal doesn't bring volume."

This is a reference to the proposal to build a 173 mile canal across Nicaragua, linking the Atlantic and Pacific in direct competition with Panama. The cost of this massive project is put at \$40-50bn. A 50-year concession to build the Nicaragua Canal has been awarded to the Chinese-led consortium HK Nicaragua Canal Development Investment Co Ltd (HKND), which has said it has the potential to revolutionise global trading routes.

"HKND believes that if world container demand continues to grow as much as it has been doing, then the Panama Canal will soon reach capacity and a second, alternative route will be essential,"



"There is a desire in Nicaragua to have a big, grand project and desire to stimulate economic growth in the country"
Neil Davidson, Drewry



"it's like the National Lottery – you have to be in it to win it. Any port not seen to be able to handle the bigger ships coming through the canal can't be competing to handle that traffic"
Dean Davison, Ocean Shipping Consultants

says Mr Davison. The current construction timetable is for work to start this year, with a likely six to ten-year build programme, he says.

"Clearly this is a very large-scale project, albeit not a new venture, that has been mooted for some considerable time without any tangible progress actually being made."

And there are environmental concerns, not least the possible impact of the canal on the ecology of some of Central America's largest lakes and on the biodiversity of Nicaragua's forests.

Simon Bennett, director of external relations at the International Chamber of Shipping, has gone on record saying anything that breaks the crowded Panama route's 'quasi-monopoly' would be welcome, particularly as demand for use of the Panama Canal outstrips available slots at certain peak times of the year.

However, Mr Davidson says: "There is a desire in Nicaragua to have a big, grand project and desire to stimulate economic growth in the country. But there haven't been detailed studies on demand or cost-benefit analysis showing whether it is actually needed. If it is built, what would traffic levels be, and what are the expected tolls, and who would use it, and why? There has been a lot of positive talk, but these are the questions that remain unanswered." **SN**



The expansion of the Panama Canal is a game-changer

Credit: Gerardo Pesantez, World Bank

Working together for the common good

Carly Fields explains how piracy has united the industry in its effort to protect ships and crews



Carly Fields

When the LPG carrier *Feisty Gas* was seized by Somali pirates back in 2005, few could have foreseen how this lucrative new 'trade' for desperate war-torn Somalis would take off. Fast forward to 2010 and 47 successful hijacks were reported to the International Maritime Bureau in those waters. By 2011, pirates were earning an average of \$4.87m per ship through ransom payments. The international shipping industry had a dilemma on its hands: keep meeting the financial demands and continue to risk the lives of seafarers to keep trade moving through the important Suez Canal chokepoint, or take collective action to overcome piracy.

● Topic: Piracy

I Keywords: Naval support, industry action, attacks

Background: With the number of piracy incidents off Somalia significantly down, the industry can reflect on the success of the joined-up thinking employed to tackle the problem

Ship owners and operators chose the latter path and the industry can now sleep easier with just 11 incidents reported for the whole year of 2014 off Somalia and no hijackings. It's a success story that oozes positivity and speaks volumes of the industry's ability to overcome difficulties when working together.

As shipping's over-arching regulator, the International Maritime Organisation had an important role to play. It published a wealth of guidance notes and briefings to work towards combating piracy not just off Somalia, but also off West Africa and in the Strait of Malacca, which supplemented the existing regulations and guidance that the UN agency had already published on fighting piracy, dating back to the 1980s.

The Round Table of international shipping industry associations also took its role seriously, spearheading the industry-



Credit: Royal Navy

Commercial shipping has benefitted from EU Navfor's Group Tranship scheme

developed Best Management Practices for protection against Somalia-based piracy (BMP), which is on its fourth version. This guide provides useful updates to masters looking to implement ship protection measures to reduce the risk of being pirated. The complete role call for organisations that supported and produced the BMP includes Intertanko, Intercargo, OCIMF, SIGTTO, BIMCO, ITF, and the International Chamber of Shipping, to name a few – a clear example of cross-body co-operation for the greater good of the industry.

CONTACT GROUP

A Contact Group on Piracy off the Coast of Somalia, commonly abbreviated as CGPCS, was also established in New York under a UN Security Council Resolution in January 2009 to "facilitate the discussion and coordination of actions among states and organisations to suppress piracy off the coast of Somalia". The voluntary ad-hoc international forum brings together over 80 countries, organisations and industry groups with a shared interest in combating piracy. The Contact Group co-ordinates political, military, and non-governmental efforts to tackle piracy off the coast of Somalia, ensuring that pirates are brought to justice, as it supports regional states to develop sustainable maritime security capabilities. One of the CGPCS' roles has been to co-ordinate naval operations, namely the actions of CMF, NATO's Ocean Shield and EU NAVFOR ATALANTA.

The latter operation has been highly praised for its successes in protecting shipping off the coast of Somalia. The EU launched the European Union Naval Force ATALANTA, known as EU NAVFOR, in December 2008. It was tasked with protecting vessels of the World Food Programme, African Union Mission in Somalia and other vulnerable shipping; deterring and disrupting piracy and armed robbery at sea; monitoring fishing activities



Naval forces have the power to board and detain suspected pirates

Credit: UK Ministry of Defence

off the coast of Somalia; and supporting other EU missions and international organisations working to strengthen maritime security and capacity in the region.

It's a tough job: EU NAVFOR operates in an area of operations covering the Southern Red Sea, the Gulf of Aden and a large part of the Indian Ocean, including the Seychelles, Mauritius and Comoros. The area of operations also includes the Somali coastal territory, as well as its territorial and internal waters. To put this in perspective, the area they cover is one and a half times the size of mainland Europe.

Shipping Network spoke with the new EU Navfor operation commander, major general Martin Smith MBE, about the positive effect ATALANTA has had on world trade and international shipping.

"As you will appreciate the shipping industry is a vast, diverse group of operators," he says. "That said, because Operation ATALANTA was an EU mandated, counter-piracy operation, with warships deployed in the Gulf of Aden to help safeguard seafarers and international trade from attack, the response from the shipping industry was positive from the beginning."

MARITIME LIAISON

The operation has a permanent maritime industry liaison officer based in its operational headquarters in Northwood, UK, who is in regular contact with ships' masters at sea and their organisations ashore. The liaison officer has helped to build trust and transparency with the maritime community and has helped to maintain that positive response and support from the shipping industry to the EU Naval Force.

"Evidence of this can be seen through the number of vessel registrations to the Maritime Security Centre Horn of Africa (MSCHOA), which has remained at approximately 4,500 per month," says Major General Smith. When EU Navfor established MSCHOA at the end of 2008/beginning of 2009, it quickly realised that in order to build up its awareness of merchant shipping traffic and to employ risk mitigation measures, it required a comprehensive transit registration reporting procedure. The figure of 4,500 vessel registrations a month has remained constant since 2009.

"The shipping industry has welcomed the extension of Operation ATALANTA as they understand the ongoing risk from Somali piracy," says Major General Smith, adding that an important element of the operation's partnership with industry is a commitment by the shipping companies to continue to employ self-protection measures, as laid down in the BMP guide.

Major General Smith agrees that the surge in Somali piracy in 2008-2009 and the increasing number of ships attacked and hostages taken, united not just the shipping industry, but indeed, the international community as a whole.

"We all witnessed the effects that the attacks were having on international trade, seafarers and their families. The maritime community responded very quickly, with the instigation of BMP measures in 2009 being a good example of the close cooperation," he says.

"EU Naval Force has always placed the relationship with the shipping industry at the forefront of our engagements with key stakeholders," he adds. "This relationship has been built on the development of a transparent partnership based on trust and credibility. This trust is not easily earned and can be quickly lost, and so all the operational instruments at MSCHOA have been developed with this in mind."

In November 2014, the Council of the EU extended the mandate of Operation ATALANTA until December 2016 in recognition of the continued importance of this operation. The extension of the operation validates the EU's and other organisations' assessment that despite a reduction in pirate activity, the pirates' capability and intent remain and, given an opportunity, could be reinvigorated by pirate leaders at any time.

This successful international naval support operation, in addition to IMO assistance and that from a wide range of shipping organisations, will be the lasting legacy of this episode of Somali piracy. Standing united against shipping has led to the ultimate positive outcome: a virtual removal of the problem. Now, the industry needs to turn the same positive attention elsewhere to combat piracy off West Africa and in South East Asian waters. **SN**

"EU Naval Force has always placed the relationship with the shipping industry at the forefront of our engagements with key stakeholders," Major General Martin Smith, EU Navfor

"The area [Operation Atalanta] covers is one and half times the size of mainland Europe"



Credit: EU Navfor

Placing trust in the transit system

EU NAVFOR's Group Transit scheme has proved popular, with 15% of all vessel traffic passing through the Internationally Recommended Transit Corridor (IRTC) making use of the cover offered by a protected corridor through high risk areas. That figure has remained largely unchanged since 2009. The IRTC is 492 miles long and has an eastbound and a westbound lane, each five miles wide with a two mile separation between the lanes. Group Transits are designed to put ships into different speed groups in order to exploit the additional protection and assurance of being in a group. The times for different groups to enter the IRTC are calculated so that they pass through the area of statistically greatest danger at night and ensures that all ships, regardless of speed, are together at first light. This allows the military forces in the area to best position their assets in the area so as to protect ships against piracy and to give assistance in case of attack.

"The Group Transit system was introduced before National Convoys and was therefore seen as a welcome protection measure at the time," points out Major Gen Smith. **SN**

Changing the world, one port at a time

Gearbulk's [Jake Storey](#) explains why the industry needs to collectively tackle corruption



Jake Storey

The Maritime Anti Corruption Network (MACN) is a global business network working toward its vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large. The idea for the network came from the Maersk group in 2011; by November 2012 MACN had signed its seventeenth member, but now it has over 50 members and the membership is expected to surpass 70 by the end of the year.

● Topic: Fraud

I Keywords: Collection action, intelligence, compliance

Background: Fighting corruption to meet increasingly strict legislation should be a shared goal for the shipping industry

MACN was created in response to the UK Bribery Act, however, like the competitive world the compliance environment does not remain static. Only last year Brazil introduced the Clean Companies Act, which some would argue is more stringent than the UK legislation. Additionally, it is well known that the Chinese government is cracking down on corruption. Even though this may be in part politically motivated and has yet to directly impact Chinese ports, there is a distinct possibility this could happen. Who wants to be a ship owner banned from calling in Chinese ports?

MACN is comprised of vessel owning companies within the main sectors of the shipping industry and other companies that are part of the maritime sector, such as leading mining, trading, and oil companies and other maritime service providers including ship managers and port agents. Companies join MACN for different reasons. Some join to improve their compliance programme, while others join to signal to their shareholders, customers, and members of their supply chain their commitment to anti-corruption compliance. Other companies join to develop an improved understanding of the challenges that exist around the maritime world. And yet more companies join because they suffer financially and sometimes physically, through intimidation and violence against the crew, when they comply with the law.

“There is a growing belief that reducing corruption can only be achieved through an integrated approach from all stakeholders, governments, NGOs and international business”



Credit: Allan Watt

No shipowner wants to be the one that is banned from Chinese ports

PRACTICAL WORK

Even though MACN has an aspirational vision the network is very practical: the steering committee includes ex-masters and is focused on making ‘doing the right thing’ in port easier for everyone involved in the maritime sector.

The network holds two members’ meetings a year; the next one will be in London April 22-23, where MACN will hold Chatham House discussions about hot spots and what can be done, share best practice, host sessions on key components of a robust compliance program and listen to key note speakers in this field. A mix of people attend including vessel superintendents, vessel operators and compliance officers.

Part of MACN’s strategy is to support companies in establishing a robust compliance program, therefore MACN has developed, in conjunction with the Global Advice Network (GAN), and with financial support from the Lauritzen and TORM foundations and the Danish Maritime and DS-Orient funds, an online anti-corruption training module for both seafarers and shore based staff, which is free of charge for MACN members.

Between the members’ meetings the network has work streams and hosts webinars. One of the key successes of the network has been increasing members’ confidence. Many members now push back against demands in a way not contemplated previously.

In addressing corruption there are things that can be achieved at an individual, company and network level; however, there are situations whereby the support of government bodies, NGOs, and other maritime bodies is needed. Therefore a key element of MACN’s strategy is collective actions, whereby the network engages with external stakeholders to highlight problems and to help create solutions. The network has an ongoing collective action in Nigeria, where it collaborates with the FCO, DFID, UNDP and a Nigerian body called TUGAR. In addition it currently co-ordinates collective actions in five other countries.

MACN believes that collective actions will become more important for our members as a way of delivering value to them and the local stakeholders.

MIXED BAG

The reception of MACN from within the shipping industry has been mixed. Some companies are sceptical of MACN's goals, while others have been very supportive. Some of the dismissive attitudes stem, in part, from the belief that prosecution for breaking anti-corruption laws is very remote, or that "customs of the port" – even if they are illegal and breach contractual commitments – are an acceptable cost of business. This attitude is often compounded by a belief that the demands that can be made in ports do not break the US Foreign Corrupt Practices Act because they are "facilitation payments". However, this interpretation is an oversimplification of the legislation and does not acknowledge the contractual obligation that a company may have committed to, or what other legislation may be applicable.

One of the criticisms of the maritime industry is the lack of transparency; especially when compared to other industries. This makes performing effective due diligence challenging and time-consuming. Nevertheless, most international anti-corruption legislation states that a company is responsible for the actions of its suppliers, which still applies even in a vessel timecharter chain where the head owner is four charterparties away. Ignorance or "it's too difficult" is not an effective legal defence.

However, as a result of the greater awareness of maritime corruption challenges there has been a change in attitude within the maritime supply chain. This change is primarily being driven from contractual expectations between parties and the resulting commercial implications. Compared with four years ago there is an increased expectation that all parties have adequate compliance and anti-corruption procedures and processes in place. Despite this, there are still respected companies within the maritime industry that do not have the appropriate procedures and training in place, so there is still a lot more work to be done.

Despite these challenges the compliance infrastructure available to the maritime industry is developing. For example, an organisation called TRACE, in conjunction with DA-Desk, already has in place a low cost anti-bribery certification programme for port agents, which consists of a due diligence review, analysis, and approval that results in a detailed compliance report that port agents can share with their customers. It is also seeking to widen the programme to other members of the maritime supply chain. Such a programme helps to improve the transparency and integrity of the supply chain while reducing the cost of compliance.

PROUD ACHIEVEMENT

MACN has received a very positive reception from external stakeholders, such as TRACE, UNDP and



As the mode of travel for 90% of world trade, shipping needs to clampdown on fraud

Transparency International, and is held up as an example to other industries of what an industry-led organisation can achieve. Furthermore, there is a growing belief that reducing corruption can only be achieved through an integrated approach from all stakeholders, governments, NGOs and international business.

Additionally within the development and aid communities, there is a greater understanding that making trade between countries easier and more efficient is essential to reducing poverty in the less developed countries, which is often where a lot of the maritime corruption occurs. This is one reason why the World Trade Organisation is implementing the Trade Facilitation initiative, whose goal is to reduce the bureaucracy and complexity of regulations that exists when trading with the less developed world. However, this goal cannot be achieved without addressing maritime corruption.

It will take some time for the goals of this initiative to be implemented, but what it seeks to do is to increase global trade, which would be a great plus for our struggling industry.

The shipping industry has undergone transformation before, most recently through a change in attitudes towards health, safety, environment and social responsibility. At the same time, containerisation and low cost transportation have enabled a new wave of globalisation. Even though the maritime industry cannot solve, nor is responsible for, the world's problems, as 90% of world trade is transported by ships, the maritime industry has to be part of the solution in addressing corruption. The shipping industry has the opportunity and capability to transform the world once again, port by port and country by country. **SN**

Jake is vice chairman of the Maritime Anti-Corruption Network (MACN). He has over 25 years' experience of the shipping industry and is currently head of Risk Management at Gearbulk. Prior to joining Gearbulk, Jake was the chief financial officer for Inchcape Shipping services UK. He holds a MBA from Manchester Business School, as well as being a chartered accountant and a qualified corporate treasurer.

"The shipping industry has the opportunity and capability to transform the world once again, port by port and country by country"

Taking on the short sea shipping challenge

DNV GL's [Hans Anton Tvette](#) examines how EU policies have encouraged new technologies



**Hans Anton
Tvette**

The European Union's road network suffers from chronic congestion. Yet, road usage for cargo transport is steadily increasing, leading to heavier road wear, more accidents and higher emissions. The population growth in urban areas expected over the next decades will without doubt compound the problem, causing the demand for transport to exceed the capacity of today's roads.

Topic: Construction

I Keywords: Ship design, conceptual, zero emissions
Background: Meeting the challenge of taking cargo off congested EU roads has spurred one classification society into action

To alleviate these issues, governments all over the EU are trying to move some of the freight volume from the road to waterways and railways. In the short-sea shipping segment however, profit margins are small due to high energy and operating costs as well as high taxes.

These circumstances, particularly the Norwegian government's National Transport plan, prompted DNV GL's Strategic Research and Innovation department to design a new ship concept specifically for short-sea shipping with the objective of encouraging a modal shift from road to sea. By taking the design and applied technologies to the extreme, the DNV GL engineers want to launch a new discussion within the community while upholding DNV GL's maxim of a safe and sustainable future for shipping.

The innovative ship concept 'ReVolt', the unmanned, zero-emission, short-sea ship of the future, is the result of a multi-

disciplinary, team-based development project at DNV GL based on an assessment of current requirements along European short-sea routes. Nevertheless the concept could be implemented in other coastal regions around the globe.

PROFILE UPDATE

ReVolt's operational profile was established by analysing Automatic Identification System (AIS) data from vessels operating in the Norwegian Economic Zone (NEZ) in 2012. The relevant routes consist of individual legs of less than 100 nautical miles. The ship type and cargo capacity, which is within the 100 teu range, were obtained by pairing the AIS data with DNV ship register data. This information moulded the requirements for the ship concept.

The vessels evaluated in the AIS analysis had an average service speed of 8.7 knots. For ReVolt it was decided to reduce the required speed to 6 knots to allow for more efficient propulsion solutions. As a consequence of this low speed the logistics chain will have to be redesigned entirely to account for longer transit times. However, implementing a 'conveyor belt' logistics concept with frequent departures and short, four-hour-average port stays could create the right conditions for transferring appropriate cargo types to this mode of transport.

The hull of the vessel was designed to optimise ship efficiency, fulfil all applicable safety and operational requirements and enable operation without ballast water.

At the ship's slow cruising speed, the resistance to overcome will consist primarily of hull friction and occasional external forces acting on the vessel. The wave-making resistance will be modest. For this reason a straight vertical bow design was chosen to minimise resistance across the entire operational profile. In addition, a sharp waterline creating a piercing effect is favourable in adverse wave conditions. CFD calculations for the chosen design showed a low calm-water resistance of 50 kilowatts. On the other hand, the added resistance in waves and wind resulting from the low cruising speed was shown to contribute a relatively large portion to the vessel's overall resistance. Resistance calculations incorporating met-ocean data sets from the intended route revealed an average ship resistance of 120 kilowatts.

MATERIAL CHECK

An investigation into the possible use of composite materials was also carried out. While a lightweight material reduces the wetted surface when compared with normal steel, the resulting draught reduction requires a smaller diameter propeller, thereby compromising the ship's propulsion efficiency. Therefore a steel hull, which is also less costly, proved to be the best solution.

The propeller design for the ReVolt was largely based on efficiency considerations since most of the normal design constraints were irrelevant due to the low vessel speed. Since cavitation will be negligible, the number of propeller blades was reduced to only

Main particulars

LOA	60.23m	Service speed	6kn
LPP	57.23m	Cargo capacity	100teu
Beam	14.5m	Deadweight	1,250mt
Depth	13.18m	Cruising range	100nm
Draught (full)	5.02m	Battery	3,000kWh
Draught (ballast)	3.35m	Azimuth pods with 2 blades (3m diameter)	2
		Retractable bow thruster	1



The hull of ReVolt is designed to optimise ship efficiency and enable operation without ballast water

Credit: DNV GL, ©Toftenes Multivisjon

two. This in turn reduces viscous losses in the propeller considerably. For the final design a propulsion efficiency of 76% was achieved.

ReVolt will operate independently of tugs and needs good manoeuvrability. Because of her hull shape a podded propulsion system was chosen over conventional shafted propulsion; this also reduces the number of rotating parts on the ship. The design calls for two stern pods as main propulsion units plus one retractable bow thruster for manoeuvring.

A fully battery-powered solution was selected for the ReVolt to maximise efficiency, eliminate emissions and reduce the number of rotating components requiring maintenance. Provided that the batteries can be charged with hydropower, a battery-based propulsion system will be highly efficient and clean. The energy loss from the water reservoir to the propeller is estimated to be as low as 40%. By contrast, comparable diesel-powered ships may suffer well-to-propeller losses of up to 85%. Furthermore, using renewable energy to charge the batteries makes ReVolt a zero-emission ship. And finally, batteries represent a low maintenance solution for an autonomous vessel designed to require as little human interference as possible.

COST EFFICIENCY

Since ReVolt sails at relatively slow speed it is essential to avoid wasting time in port. By using state-of-the-art technology in automatic mooring systems, such as grip-arm and vacuum-based mooring, ReVolt will be moored quickly without the need for ropes and winches, which are highly dependent on manual assistance and regular maintenance.

By raising the hull sides and cell guides to full container stack height, cargo handling can be accelerated while eliminating the need for stevedores and manual lashing.

To ensure fast transfer of cargo from the ship to other modes of transportation, the shoreside facilities in ports need to be highly efficient. This can be achieved by building dedicated terminals with easy access for trucks.

The ReVolt is unique in terms of both safety and environmental performance. However, the question remains whether all this can be achieved at a reasonable cost. The autonomous capabilities of ReVolt significantly reduce or even eliminate the need for crew facilities, a superstructure and auxiliary machinery, leaving more space for payload. The battery pack on board ReVolt is, however, extremely capital intensive with an estimated cost of \$1,000 per kWh. And, due to the performance degradation of batteries, the need for a replacement pack means that this cost will be incurred twice over the estimated lifespan of the vessel (30 years).

As battery technology matures, battery costs are likely to drop significantly. Taking into account local incentive programmes such



Credit: DNV GL, ©Tofteenes Multivision

as the Norwegian NOX-fund, the capital expenditure of ReVolt is estimated to be equal to that of a conventional ship with equivalent cargo capacity.

PROFIT DRIVE

But where ReVolt will truly excel is the cost of operation. Her energy, maintenance and crewing costs will be far below those of a diesel-powered ship; how much will depend on the shoreside infrastructure needed to enable autonomous operation.

As a result, ReVolt will be profitable from day one. Over her lifetime the ship will save about \$34m in operating costs compared with a conventional vessel. Future governmental emission reduction incentives may further increase the margin. A detailed 1:20 scale model of ReVolt has been built to demonstrate the ship's autonomous capabilities, test other design features and to learn about the challenges and opportunities of autonomous navigation and pave the way to a future where autonomy is part of the solution for better safety at sea.

ReVolt is a vision for the future and will not be built until several of the technologies involved have matured. However, the vessel could conceivably be built and operated using current technology. ReVolt is intended to serve as an inspiration for equipment manufacturers, shipyards and shipowners as they endeavour to develop new solutions towards a safer, more sustainable future.

SN

Hans Anton Tvete is a senior researcher maritime transport at DNV GL, based in Norway. His work relates to energy efficiency, alternative fuels for shipping, concept studies and project management. He can be contacted on hans.anton.tvete@dnvgl.com.

Achieving autonomy through simplicity

Ship maintenance chores are a major portion of a ship crew's activities. So when a ship operates with a very small crew or entirely without people on board, how can the vessel be maintained? One strategy is to minimise the required maintenance effort, and this is precisely what the designers of ReVolt did. Since the equipment most prone to technical breakdowns is rotating machinery, ReVolt is a ballast-free, fully battery-powered, unmanned vessel with the smallest possible number of rotating components. In fact, the only rotating machinery on board are the components associated with the propulsion pods and bow thruster and are located outside the ship's hull.

In terms of autonomous navigation, an integrated system comprising ECDIS, GPS, radar, cameras, LIDAR and other sensory equipment has the potential to create complete situational awareness around the vessel. All of the required technology is available off the shelf today.

ReVolt's autonomy concept takes the applied technologies to the extreme, and DNV GL believes that many intermediate development steps, such as condition and sensor-based monitoring, enhanced navigational assistance and remote operation, will have to be taken before unmanned ships can become a reality. **SN**

Hospitality is key to breeding positivity

Revd Adam Boulter explains why seafarers matter and are not problems to be solved



Revd Adam
Boulter

Day by day, my work as a port chaplain in the Red Sea port of Aqaba takes me up gangways and on to ships from around the world. Typically, I will have never visited that crew before and will probably never see them again, yet time and time again I meet with overwhelmingly positive responses. I am welcomed and offered cups of tea and biscuits, and seafarers talk about their lives, their problems, and their hopes.

● Topic: Hospitality

I Keywords: Seafarers, ship visits, humanity

Background: The enduring positivity of seafarers is an inspiration to those who have forgotten that people matter in their own right

The world of shipping can seem very impersonal: huge ships dwarf the human body and vast international companies increasingly run the business from both port and ship side. Yet all of this machinery is run by people, human beings who have lives and families, who are often abroad in unfamiliar cultures, who feel vulnerable and are often working under significant stress. In spite of the seafarers' pressurised lives and intimidating work situation, I am regularly met by them with deeply human responses; kindness and shared humanity seem to cut through the metal and concrete world of the ports. Why this is – and why these meetings move me so much – has been an ongoing question for me throughout my time with the Mission to Seafarers.

The port of Aqaba where I work is at the head of the Red Sea and behind it runs Wadi Arabia, a huge valley that continues past the Dead Sea until it becomes the Jordan Valley. It is here in this valley that Abraham walked with his flocks, and his life and faith is the foundation for Judaism, Christianity, and Islam. This is where he pitched his tent one day as a stranger in a hostile land, and looking out saw three men walking towards him. Putting aside his anxiety, he rushed to meet them and invited them in to rest and eat, he served them his best food and waited on them himself. Then the men blessed Abraham by promising that his wife would have a son although she was too old to have children and that his descendents would become a great people, so it becomes clear to him and to the reader that Abraham has been entertaining angels.

“The mutual offering and receiving of hospitality draws out of people those qualities that are good and healthy in them”



Credit: ITF

There's a tendency to see seafarers as cogs in a machine

NEW BEGINNINGS

The story starts the history of the Jewish people and has echoed down the ages ever since. It is remarkable not least because Abraham acts in a way we rarely see and certainly don't expect. He takes in strangers when he is vulnerable and sees those people as mattering in their own right, not as part of some scheme he has, or for his own advantage. Abraham can do this only because he sees the positive value of them as people in their humanity. This positive view – that strangers matter – means he can be hospitable towards them, so when he gives them food he does more than give them a gift; he recognises their worth and so he transforms a mere gift into a permanent connection that enriches everyone present.

In the culture of the deserts around Aqaba to give and receive hospitality establishes a bond of mutual protection and a commitment to each other's welfare. It is this that Abraham establishes with the angels, and as the story unfolds it has massive and long-lasting implications: as a result cities fall, a nation is born, and eventually three world religions will emerge, as a result of Abraham's positive view of these three strangers.

This is, I believe, what is going on when I visit ships; not that all seafarers are angels, but that the mutual offering and receiving of hospitality draws out of people those qualities that are good and healthy in them. We meet over tea and see each other as people who are ends in ourselves, who are beloved of God as we are. This positive regard for each other transforms the situation; it makes all the difference and has implications in people's lives that can never be measured. It is, I think, at the heart of the work of The Mission to Seafarers.

Of course there are practical situations to be addressed:

The culture of the deserts around Aqaba is to give and receive hospitality



Credit: Etienne Valois

calls home that seafarers want to make, complaints about pay or conditions, and occasionally the dramatic problem of abandonment or piracy. But even then what we really bring to those problems is a viewpoint that remembers that the seafarers are people who matter in themselves, not problems to be solved. They are people, not cogs in a machine.

HUMAN COGS

That people matter in their own right is not the dominant view in our cultures in the developed west. On the whole I suspect we don't even think in these terms most of the time, and yet our attitudes are shaped by how our economies and political establishments talk about and view people. We tend to talk of people in terms of their economic worth, thereby making them merely an instrument for the making and spending of money, or we talk about them as voters making them an instrument in the business of electing governments, or even worse we see them as a problem making them an instrument that is broken and so disposable.

All the while we are forgetting that all people are people, who have real lives that matter, that they are beloved by God, and bring us blessings. Seafarers are

no exception to this and there is a tendency to see them as just a necessary part of the business of shipping, as a sometimes unreliable but vital piece of the process of moving goods from one place to another, and thereby to make money. When we do this to other people though we don't only dehumanise them, we also start to chip away at our own humanity.

When we collaborate in the view that human beings are simply a means to making money, or gaining power, we erode our ability to see the world, or ourselves, positively as conscious moral beings. Conversely, we start to flourish when we positively view each other's humanity; otherwise we turn each other into cogs in a dehumanised machine.

Hospitality is key to that business of learning to see each other positively, and it is most powerful when it is practised, as Abraham did and as The Mission to Seafarers tries to do, with strangers who are in a foreign land. **SN**

"Seafarers are people who matter in themselves, not problems to be solved. They are people, not cogs in a machine"

Run for fun and support seafarers

The Mission to Seafarers has launched a 5 km Fun Run in partnership with Nor-Shipping, to be held in Oslo on June 1.

The run will kick off in Oslo City Centre on the official launch day of Nor-Shipping at 6.30pm and will finish at the iconic Norwegian Maritime Museum. Runners will be able to enjoy the coastal views as they raise money for The Mission.

Vidar Pederstad, Nor-Shipping director, said: "Seafarers and their families are at the heart of the global maritime world and we can make a real difference to those crews that can face hardship and distress in the world's remote ports. We hope to see you on the run, to join in the fun, and all for a great cause."

To find out more and to register for the run go to: norshipping5k.wufoo.com/forms/norshipping-fun-run/

SN

Nor-Shipping runners will be able to savour the sights of Oslo's waterfront



Credit: Oslo City Hall

Benefitting from the 'polluter pays' concept

HFW's [Max Thompson](#) discusses the rise and rise of environmental shipping regulation



Max
Thompson

While the environmental impact of shipping appears to be attracting more widespread attention and interest in recent times, in line with a wider focus on the impact of commercial operations generally, the concept of 'greener' ship operations is far from novel.

One primary driver of change has been extensive regulation. Over recent decades, shipping's global governing body, the International Maritime Organization has overseen a constantly evolving rulebook aimed at – among other things – improving safety at sea and protecting the marine environment.

Topic: Pollution

I Keywords: Regulation, 'green' shipping, costs

Background: A myriad of environmentally-related shipping regulation has cemented a green future for the maritime industry

The centrepiece of international regulation in this area is the International Convention for the Prevention of Pollution from Ships 1973 (MARPOL). To date, MARPOL spans six Annexes, each of which covers potential hazards or detrimental effects of vessel operations. These include the prevention of pollution from ships by Oil (Annex I); Noxious liquids in bulk (Annex II); Harmful substances in packaged form (Annex III); Sewage (Annex IV); Garbage (Annex V); and Air emissions (Annex VI).

In addition to MARPOL, the IMO has formulated other standalone conventions aimed at reducing the detrimental impact of shipping on the marine environment, including the

International Convention for the Control and Management of Ships' Ballast Water and Sediments 2004 (BWM Convention).

The fundamental approach underpinning the above regulations is that the 'stick', rather than the 'carrot', is the best catalyst for change in the industry. Accordingly, operators who contravene these rules run the risk of port state detentions, fines and possible criminal sanctions. Of course, operators face significant costs in order to achieve compliance, in what has become an increasingly regulated industry.

This article offers an overview of three elements of marine pollution regulations: the reduction of oil pollution under MARPOL Annex I is of course a well-established area of maritime regulation; a newer (but no less significant) regulation is that of sulphur emissions under MARPOL Annex VI; and finally, we look to the future, and the imminent implementation of the BWM Convention.

POWER OF POLLUTION

Incidents of oil pollution (both accidental and operational) have produced arguably the most powerful public reactions to shipping in living memory. The IMO's strategy in response has been the formulation of MARPOL Annex I (and a series of amendments) to improve tanker safety. Upon entering into force in 1983, the regulations originally encompassed monitoring and handling of oily water, segregation of ballast tanks and crude oil washing systems.

In 1992, following the 1989 Exxon Valdez incident, the IMO amended Annex I to mandate double hulls for tankers of over 5,000 dwt ordered after 6 July 1993 (Reg. 19). This was implemented in conjunction with a new regime of inspections for older tankers, introduced in 1995 (Reg. 20). After the later Erika incident, as of 2001, phase-out plans for single-hull tankers were accelerated. The carriage of heavy grade oil by single-hull tankers of 5,000 dwt and above has been prohibited since April 5, 2006.

It is difficult to address in isolation how effective MARPOL Annex I has been in reducing operational oil discharges and accidental spills. Other factors have also been key, such as mandatory standards of seafarer training and the adoption of maritime spatial planning concepts (for example, traffic separation schemes). That said, the evidence points towards significant achievements, putting questions of causation aside. The number of recorded spills has fallen from an average of 17 per year (1970-1989) to 2.9 per year (2000-2014), with that trend projecting downward. The reduced number of accidental spillages is complemented by a decline in the aggregate volume of oil discharges. The IMO is keen to highlight that 99.9996% of oil transported by tanker is safely delivered, an impressive statistic underscoring the long term success of the regulations in this area.



The IMO's pollution sub-committee deliberates over regulatory amendments

EMISSIONS RULES

This year commenced with the introduction of stricter sulphur emissions rules within certain geographic zones (Emissions Control Areas or ECAs). This marked the latest in several rounds of global limits enforced under MARPOL Annex VI since it entered into force in 2005.

MARPOL Annex VI aims to reduce various forms of air pollution from vessels. Arguably its most significant impact to date has been regarding sulphur oxides (SOx). SOx is a cause of respiratory problems among humans, as well as a cause of acid rain, and is believed to be an indirect contributor to climate change. Annex VI controls emissions of SOx through limits on sulphur content in marine fuel.

The introduction of global sulphur caps in 2012 has become a major driver in ship design, as operators have sought to ensure vessel compliance, through the implementation of emissions abatement technologies (such as scrubbers) or by burning alternative fuels, such as LNG. One beneficial side-effect has been an increased focus on improvements to vessel efficiency.

The next step will be the introduction of a global 0.5% sulphur content limit by 2020, which could be extended to 2025, subject to the IMO's fuel availability assessment due to be published in 2018.

Detailed studies have yet to be undertaken on how the level of SOx emissions has been directly affected by MARPOL Annex VI. However, the increased demand for low sulphur bunkers, and early adoption of scrubbers by notable industry players, have signified important short term steps towards a low sulphur shipping industry in the future.

BALLAST BALANCE

The BWM Convention represents the next significant piece of environmental regulation on the horizon for the industry. It seeks to address the effect of organisms carried within vessels' ballast water on different marine environments. The introduction of invasive foreign species can spread disease and affect food chains, thereby increasing the risk of extinction of indigenous organisms. The economic impact of organism transfers has been estimated to cost the US alone \$8bn per year.

The BWM Convention provides for strict limits on transfer of organisms in ballast water. This will be principally achieved through the mandatory adoption of ballast water treatment technology on board many vessels.

At the time of writing, 43 countries representing 32.54% of the world's fleet by tonnage had signed up to the BWM Convention. It will be phased in following ratification from states making up 35% of the world's tonnage, which is expected later this year.

The industry should look towards the US for an example of how ballast water management rules have been implemented. The US rules require ships calling at US ports to treat ballast water when operating within the US' territorial sea, or alternatively to carry out an exchange prior to entering the US exclusive economic zone (extending 200nm from the shoreline). Ballast water treatment systems must be of a type approved by the US Coast Guard.

The efficacy of the US national rules, as well as that of the BWM Convention, has yet to be fully explored. The US Coast Guard is obligated to review the effectiveness of US rules (with a view to implementing more stringent standards) and publish its results no later than January 1, 2016. Certainly, the costs of

Ship emissions have been tackled under MARPOL Annex VI



Credit: Lee Cannon

“Over recent decades, shipping’s global governing body, the International Maritime Organization has overseen a constantly evolving rulebook aimed at – among other things – improving safety at sea and protecting the marine environment”

compliance for operators – or their exposure to liability if they do not comply – are expected to be significant.

The above comments underline what the industry has been saying for decades, namely that increased environmental regulation continues to result in rising costs for owners and operators. Some of these costs are direct (for example, the capital expenditure required to improve the global fleet in order to conform to higher standards) and others are indirect (such as the time required to effect these improvements). Whether these costs are a fair mitigation of the environmental impact of shipping is up for debate. Nevertheless, the evidence suggests that the long term view held by regulators worldwide is that obliging the polluter to pay will undoubtedly assist the industry's green prospects.

Max Thompson is an associate at Holman Fenwick Willan. Max specialises in international commercial dispute resolution with a focus on shipping. He has experience acting for and advising shipowners, charterers and P&I Clubs on a range of disputes including both 'wet' and 'dry' shipping matters, shipbuilding contracts and international trade. Additional research for this article was done by Matthew Dow, a trainee at HFW.

Investment in professional training always relevant

Robert Hill sees value in education as student numbers double and membership swells



Robert Hill

The Institute continues to have record numbers of students and strongly growing membership numbers, even though the shipping industry still faces tough times. Admittedly, the recent reduction of bunker prices has given the industry a glimmer of hope, however much of these gains are being absorbed by conforming with low sulphur emission regulations and the ever-present juggling act of matching supply and demand with the need for economies of scale.

How has the Institute managed to go from strength to strength in such tough times? The growth clearly shows the high value both individuals and companies place on the Institute, its members, its professional qualifications, values and ethics.

Topic: Education

I Keywords: professional learning, CPD, employment

Background: A weak market has spurred astute businesses and individuals into specialised maritime training commitments

We all know shipping is cyclical and it moves through boom and bust phases. During the boom times companies and individuals in theory have available finances to invest in training and development and so the Institute has a greater opportunity to gain students and members during these periods. However, even in the weaker markets we see today the Institute still continues to thrive and grow at record levels.

In my opinion there are two clear factors driving this growth during challenging times. Firstly, from an individual's perspective, shipping is perceived as a 'safe' industry in which to seek employment. Shipping may have its peaks and troughs but the industry will always be there in some form as the world simply cannot survive without seaborne trade. The International Chamber of Shipping tells us that over 90% of world's global trade is carried by sea, accounting for some 8.5bn tonnes in 2010, carried by over 50,000 registered merchant ships. This figure is predicted to rise to about 12bn tonnes of cargo by 2020. The shipping industry is here to stay, so job prospects will be there in both buoyant and in difficult times.



Credit: Mauro Orlando

Athens overtook London as the most popular ICS exam centre globally last year

STAND OUT

Unfortunately some of the world's economies are suffering from record unemployment levels. Competition is extremely fierce for those jobs that do come on to the market and applicants must ask how they can stand out from the crowd. This is especially challenging for younger people trying to secure their first job.

It is not easy. Most young people will have a similar education, in some countries this means a university degree is almost mandatory and in other countries the norm may be finishing high school. But how many people have an internationally recognised professional qualification in their chosen profession? Individuals are seeking out the Institute's professional qualifications to give them an advantage over other contenders for employment opportunities in the shipping industry.

After completing the Institute's professional qualifications, potential employers can clearly see that the applicant has already gained valuable knowledge and a professional education in shipping even if they do not have extensive experience. The Institute also instils a high level of ethics, professionalism and standards through its qualifications and values. This gives an applicant the ability to stand out from the hundreds of other CVs on the employer's desk and gives them a better chance in securing that all-important face-to-face interview and, eventually, the job itself.

Last year, Greece was an illustration of the value of the Institute's professional qualifications. Greece recorded the highest unemployment rate in Europe in September 2014 according to Eurostat, the EU statistics office, with a seasonally adjusted unemployment rate of 26.4% compared with the European average of 10.1%. However in the Institute's April 2014 exams, Athens overtook London as the most popular exam centre globally with some 330 students sitting exams in Athens.

"Individuals are seeking out the Institute's professional qualifications to give them an advantage over other contenders for employment opportunities in the shipping industry"

Shipping is an integral part of the Greek economy and regardless of the economy, there will always be job opportunities in the shipping industry. Those seeking employment in the shipping industry and those already in the shipping industry seeking to further develop their careers clearly see the value of the internationally-recognised professional qualifications provided by the Institute to give them an edge over their peers.

COMPANY COMMITMENT

Companies within the shipping industry are the second key factor driving Institute student and member numbers up.

We all know the phase 'when the going gets tough, the tough get going'. Well the same applies to the shipping industry. Visionary and astute companies can see opportunities in challenging times which will make them larger or stronger in the future when the industry returns to healthier times.

With the benefit of hindsight we can see examples in the past of ship owners that have bought well-kept tonnage from distressed ship owners during depressed times only to sell at a profit a few years down the line. Then there are the companies who buy financially-stricken companies to enjoy the synergies of both businesses, only to come out the other side even stronger than before.

During such challenging times, some companies struggle and perhaps even go out of business altogether while other companies see opportunities and bargains which will strengthen them and put them in a better position for when the market changes again.

Visionary leaders and experienced, knowledgeable and well-connected staff are key elements to being successful during a downturn in the market. These companies are turning in ever increasing numbers to the Institute to train their staff and network with key industry players through the Institute's global membership.

The Institute's internationally recognised professional qualifications ensure companies have staff with sound industry knowledge, high standards and ethics, all of which are so important in challenging times. During tougher times, those same staff will be

in demand and will probably be chased by competitors, who are also eager to survive and even prosper during the challenging times. Companies that continue to invest in training and development of their key staff regardless of market conditions will find it easier to retain their key staff. The Institute offers a range of professional courses and tailored bespoke courses to ensure companies have the best-educated shipping professionals who will be able to steer the company through the downturn and ensure it is well positioned to prosper when the market changes.

M&A ACTIVITY

Recently we have seen a flurry of activity within the shipbroking industry with many major mergers and acquisitions. Time will show which were visionary bargains and strokes of strategic genius creating larger and stronger companies that will dominate the industry as the market rebounds. These brave corporate plays have been made with visionary leaders at the helm and a team of well-educated experienced shipping professionals backing them up – many of whom are already Members or Fellows of the Institute.

Understanding the volatile market conditions is also a key factor to success during challenging times. Members of the Institute can easily network within the Institute's global membership and are always welcome to visit other branches around the world and attend events hosted by any branch. This allows members to develop key relationships and understand the market conditions from different perspectives.

Demand for staff to complete the Institute's professional qualifications, continue their development by attending the Institute's bespoke courses and actively participate in networking events with Institute members has never been so strong.

The Institute thrives in all market conditions because it provides globally well-respected professional qualifications and ongoing bespoke courses, promotes exceptional standards and ethics and encourages networking among its members which allows individuals and companies to adapt to the ever-changing challenging market conditions.^{SN}

Robert Hill FICS is the Institute's head of membership.



The Institute offers a range of professional courses and tailored bespoke courses

"Visionary leaders and experienced, knowledgeable and well connected staff are key elements to being successful during a downturn in the market"

Bunker beefs ready to be settled

BIMCO's **Donald Chard** gives an update on the organisation's latest documentary work



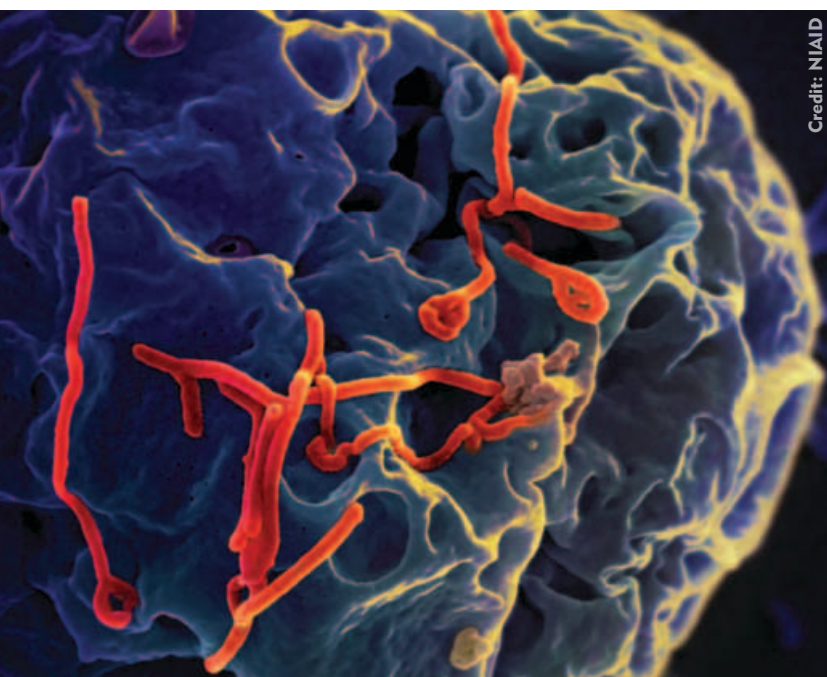
Donald Chard

Bunker purchases have long been a source of dissatisfaction with buyers forced to accept often onerous terms imposed by suppliers resulting in frequent disputes. Past attempts to create standard conditions have met with only limited success. However, after a year of discussions and with the active involvement of the bunker industry, as well as input from Singapore interests, a new form, BIMCO TERMS 2015 Standard Bunker Contract, was issued in January.

The contract terms address central practical issues concerning fuel specifications, quality, quantity, sampling, delivery, price and payment as well as equally important legal provisions including risk/title, claims and compliance with international trade sanctions. The result is a balanced set of terms for use as a starting point for buyers and sellers to negotiate provisions responding to their individual needs.

VIRULENT DISEASE

The recent outbreak of Ebola highlighted the need for an issue-specific provision to deal not only with the present situation in West Africa but also in the wider context of other virulent disease. This has resulted in the development of a new BIMCO Infectious or Contagious Diseases Clause issued respectively for time and voyage charter parties. The provisions are intended for use in response to extreme illness as opposed to more commonly encountered widespread diseases and are based on the principles in BIMCO's war and piracy clauses.



Credit: NIAID

Virulent diseases, such as Ebola, are now covered by BIMCO's Infectious or Contagious Diseases Clause



Credit: Louis Vest

BIMCO's Standard Bunker Contract was issued in January

Subject to a decision based on reasonable assessment of the situation, owners may refuse to go to an area at high risk of infection, quarantine or if restrictions might be imposed either at the time or at a later port of call. If, however, that option is waived and owners consent to proceed, charterers will be responsible for any resulting liabilities and costs.

SEEKING TO PRE-EMPT ARREST

Arrest of a vessel for charterers' unpaid bunker debts is an age-old problem. The purchase contract is between the time charterer and the bunker supplier who, often through intermediate traders, arranges for physical delivery of fuels ordered. The shipowner is therefore not a party to the arrangements but the vessel is often seen as an easy target for security for a claim in the event of charterers' default.

In order to protect owners' interests, a new Bunker Non-Lien Clause for Time Charter Parties requires time charterers to inform their counterparty seller at the outset that bunkers are being ordered and supplied to the vessel for their account and credit and that no lien can be placed over the vessel. While the provision may not always prevent determined seller interests from arresting a vessel, a copy of charterers' note to sellers can be used as evidence by owners to refute their liability in any arbitration or litigation.

“BIMCO has been working on an Anti-Corruption Clause to protect owners when demands are made for so-called ‘facilitation payments’ by port or other officials as the price of carrying out their duties such as ship or customs clearance”

SHIP-TO-SHIP OPERATIONS

A new clause has been developed to accommodate charterers’ requirements to undertake ship to ship cargo operations which were not contemplated, or agreed, at the time of fixing. The BIMCO Ship-to-Ship Transfer Clause for Dry Bulk Voyage Charter Parties (ship to ship transfer is a standard term in tanker charters and therefore not covered by the new clause) is for cargo operations to or from another vessel and includes floating cranes and barges.

Cargo operations are permitted at any safe location so, significantly, by agreeing to the clause a safe berth charter could be broadened to working at anchorage. This, in turn, is likely to have implications for time counting and so an in-built mechanism protects owners’ interests against the added risks of delay in such circumstances. Other provisions cover charterers’ obligations to provide any specialist equipment required and obtain authority, if needed, from regulatory authorities as well as the master’s right to suspend or discontinue operations on safety grounds.

INFESTATION

The on-board discovery of Asian Gypsy Moth will have serious implications for owners who, in the absence of a contractual agreement with charterers, will have to bear the removal and other associated costs. In order to respond to this situation, a time charter party clause has been drafted apportioning the risks between the parties. Owners must deliver the vessel free of

Asian Gypsy Moth and charterers, while not precluded from trading to areas of risk, will be responsible for any resulting liabilities and must redeliver the vessel free of infestation. The BIMCO Asian Gypsy Moth Clause for Time Charter Parties is being prepared for publication at the time of writing.

CONTINUING ACTIVITY

As well as the many completed tasks, work continues on other documents and clauses. Revision of the New York Produce Exchange Time Charter to take account of changes in commercial practice and legal developments since it was last updated in 1993, has been a complex task involving BIMCO, ASBA, who are the copyright holders, and the Singapore Maritime Foundation. As a result, many different, and conflicting, views have had to be considered, negotiated and sometimes compromises reached. However, it is hoped that work will be completed and the new document ready for adoption at the next meeting of the Documentary Committee in June.

ANTI-CORRUPTION

BIMCO has been working on an Anti-Corruption Clause to protect owners when demands are made for so-called “facilitation payments” by port or other officials as the price of carrying out their duties such as ship or customs clearance. Discussions are continuing to ensure that the content is structured so that the provision will be applied only for its intended purposes and cannot be manipulated as an excuse for exiting an inconvenient charter.

FUTURE WORK

A major new project is the revision of SUPPLYTIME 2005. While this is one of BIMCO’s most used documents, changed practices in the ten years since it was last updated mean that it is now time to look again at the content. A small sub-committee is being formed to undertake the detailed work which is scheduled to begin shortly. **SN**

Donald Chard is a chartered shipbroker and Fellow of the Chartered Institute of Arbitrators. After more than 38 years at the UK Chamber of Shipping, he now takes appointments as an arbitrator and acts as a part time consultant with BIMCO’s Legal and Contractual Affairs Department.

i The Asian gypsy moth is an exotic insect pest native to Far East countries such as Russia, China, and Japan. Adult moths frequently lay their egg masses on cargo ships and shipping containers, and these hardy egg clusters often survive to hatch at ports of call around the world, including the United States. The high risk season for Asian Gypsy Moth is March 1-October 15.



Credit: Jim Mullhaupt

BIMCO is working on a Asian Gypsy Moth clause for Time Charter Parties



INTERNATIONAL MARITIME RESCUE

Established in 1924 as the International Lifeboat Federation, the **International Maritime Rescue Federation** was incorporated in 2003.

As a world-wide charitable body, we unite the world's maritime search and rescue organisations for our common humanitarian purpose:

"Preventing loss of life in the world's waters."

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Meeting the letter of the law

Carly Fields shares opposing opinions on regulation from the LSLC's Cadwallader Debate



Carly Fields

Regulation: love it or hate it, it is part of the fabric of the shipping industry. It's a topic that is hotly debated today in light of the tangle of rules, laws and legislation that sometimes complement and sometimes contradict.

So the regulatory theme of the London Shipping Law Centre's latest Cadwallader Debate came as no surprise. Held in the London Savoy, the Cadwallader Debate and Gala Dinner marked part of the LSLC's 20th anniversary.

Debating the motion 'This House believes that parochial policies of regional regulators will wreck international shipping', International Registries' Clay Maitland went head-to-head with the European Commission's head of maritime safety, Dr Christine Berg.

Kicking off the debate, Tradewinds' editor-in-chief Julian Bray described regulation in shipping as "a child of its time". He said: "Industry has found it harder to comply while governments regulate us, having been increasingly frustrated with industry inertia. Too often what has been billed as a consensual approach has been given lip service in terms of open dialogue."

Mr Maitland asked where it all went wrong with maritime regulation. In answer, he pointed to regionalism – spearheaded by the US and then mimicked by the EU – over the last few decades for a rise in localism which "runs counter to the collective decision making of the UN as a whole and the IMO".

But Dr Berg disagreed, stressing the EC's commitment to international rules: "I think in the past we have shown a strong commitment to having a level playing field by having international rules. But complacency is not the right approach for the development of an industry. We are trying to be on a continuous safety journey with the industry."

ENFORCEMENT FOCUS

She confirmed that the Commission is putting renewed focus on enforcement of existing legislation rather than tightening rules for the sake of tightening rules and is taking a "fresh look" at rules that have been created to see if the same effect can be had with a

"The next step for us is how we can positively use technology to move to a risk management approach on safety,"
Dr Christine Berg,
European Commission



The speakers gave compelling arguments

lighter touch. One option being considered is moving from a checklist to a risk-based approach to "re-responsibilise" all the players in the industry.

"We are putting high hopes in technology and making a world where certain things have to be reported only once," she said. "There is a major potential in freeing up time for seafarers to focus more on the safety of the ships and to reduce the time spent in port. The next step for us is how we can positively use technology to move to a risk management approach on safety."

Mr Maitland appreciated the need for inspections but pointed out the burden increased inspections place on the chief's mate. This, he said, is something that "we should not lose sight of".

The thorny issue of the cost of implementing new regulation was raised by the floor and Dr Berg's response was resolute: "In economically difficult times we cannot not enforce the rules that are there. That doesn't mean that as a regulator that we are ignorant of economically difficult times."

She pointed out that some of the rules entering into force this year and next are modelled on international rules decided in 2008 and blamed complacency in parts of the industry for a lack of preparation.

"Any industry wants predictable, stable rules allowing them to make a competitive advantage," she said, but conceded that as a regulator the Commission is in a "very difficult position".

Mr Maitland countered the complacency allegation, claiming that the industry has been "adjusting for six years". He did, however, blame a loss of representative voices and leadership in the industry for the growing failure to look ahead and prepare for what's on the horizon. "We tend as an industry to go around in circles. We traffic in truism and no one asks what's the next big thing we need to prepare for. Why? Failure in leadership." **SN**

Credit: LSLC/Katerina Kalogeraki

Cashing in on the last contango

P&I specialist [Skuld](#) gives the lowdown on a tanker market phenomenon that is making a comeback

The word contango encapsulates a specific situation on the commodity markets where the future price of a given commodity is above the expected future spot price. It arises where buyers are willing to pay more for a commodity, in the future, than the actual expected price. A driving factor may be due to a willingness to pay a premium for the commodity in the future, without incurring the storage and transportation costs of buying it today.

The last time oil prices fell dramatically was during the financial crisis of 2008, when they dropped from a record \$145 per barrel to under \$40. While this led to a lot of financial losses, enterprising parties seized the opportunity to buy cheap oil and given the shortage of land based storage they used tankers as floating tank farms. When the price rebounded, the oil was likely sold at a profit.

Oil prices fell significantly at the end of last year and at present they remain very low. The impact of this is felt across the world particularly when a number of oil economies as well as development projects work towards a price of \$100. The current price of below \$50 per barrel puts them under pressure while providing a boost to intensive oil consumers.

This market situation has again given rise to contango, and this meant that tankers found themselves in great demand towards the end of last year. At first this was due to the rush to buy perceived cheap oil, but as shore side storages started to fill up, increasingly tankers were hired to act as floating storage facilities. Both ways, these were welcome developments for tanker owners and long term period charterers who saw their vessels fetch a solidly improved rate in the spot market.

FUTURE GAZING

But how long will this period of low oil prices last? That is a question on which a lot of money will turn. Not least because buying and storing oil now is based on the goal of being able to sell it at a profit in the future, but that requires oil prices to rise by more than the cost of shore or ship storage and subsequent transport to the actual receiver.

The starting point for consideration of long term storage will be an assessment of the vessel's suitability for this purpose. An important factor will be whether the vessel will be at sea or anchorage or otherwise operating. The state of the tanks will also be key, as the long term storage of cargo may put strains on the coating and lead to deterioration and corrosion.

There are also a number of issues that must be considered with any ship-to-ship (STS) operation. Ensuring that it can be done safely is paramount and factors here include weather, sea states, fendering, the compatibility between vessels, and so on.

If a number of STS operations are envisaged, with cargo being parcelled out, then there is an added risk of shortage issues, as it may not be easy to ensure that ullages are accurate and



Credit: Patrick MacDonald

Tanker owners have been dancing into profit

that only the correct amount is transferred. Paying extra attention to this issue will be important.

An additional factor is that in some locations smuggling or sanctions breaches may occur. Members should at all times ensure that the cargo they are taking is legitimate and fully documented.

If members are asked to engage in the blending of cargo, it is important to remember that this is not permitted under SOLAS for any time the vessel is on a sea voyage. Blending can also be an issue for P&I cover, as a new product is created (as opposed to co-mingling the same cargo/grade from different sources), and may also pose bill of lading challenges. It may be necessary to have a laboratory set up on the vessel with a suitable expert in attendance to ensure that repeat operations result in the desired outcome, or risk possible contamination claims.

Even if the vessel does not engage in frequent STS operations, it will be necessary to monitor the volume of the cargo on board with periodic dipping and ROB calculations. If the cargo is of the kind that can lose significant volume over time then this must be understood as an on-going issue.

STORAGE CONCERNS

While some cargo types are stable and not easily affected by long term storage at sea, others may be very sensitive or otherwise suffer deterioration over time. The properties of the particular cargo to be loaded and stored must be properly understood, as well as the time frame for the proposed storage. Should storage exceed the safe 'shelf life' of the cargo, then action may be necessary to ensure it does not deteriorate significantly or risk potentially dramatic claims from the ultimate cargo receivers.

On a contractual front, owners and charterers should ensure that before fixing, all parties work out the full range of risk scenarios

that come with the use of the vessel as a floating storage facility and make sure these are addressed appropriately in the final fixed charterparty. That includes apportionment of risks, extra costs, hull and tank cleaning as well as insurance coverage issues, otherwise these are likely to be fertile ground for disputes. Failing to contract carefully can be financially devastating.

Using a vessel as a long term oil storage facility may also impact insurance coverage, as this may not be the trade for which the ship is normally insured, and indeed this operation is not like a hot or cold lay-up situation. It would be prudent to consult with underwriters about the potential impact before fixing the vessel for this purpose. **SN**

“Tankers found themselves in great demand towards the end of last year. At first due to the rush to buy perceived cheap oil, but as shore side storages started to fill up, increasingly tankers were hired to act as floating storage facilities”

This article is published for ICS members by kind permission of Skuld. Skuld thanks London Offshore Consultants and Andrew Moore & Associates for providing input towards this advisory.



Storage options have been attractive to owners of large tankers

Credit: Seong-Woo Seo

Fill in your floating storage checklist

For tanker owners, there are a number of issues that need to be considered before fixing a vessel out as a floating storage facility. These include:

- the vessel may engage in multiple STS operations if cargo is sold off in parcels, this may lead to shortages given that sea conditions can make exact ullages difficult
- if the cargo on board is bunker fuel, there may be requests for blending on board to achieve particular specifications (this may specifically be in breach of SOLAS)
- the origin of the cargo needs to be carefully checked, as in some places in the world there have been issues with smuggling and sanctions breaches
- cargo quality may be affected by long term storage at sea and therefore a full understanding of the cargo specifications and the cargo properties is important: cargo may become unstable, produce sediment, have significant microbial activity, there may be settling of contaminants and sludge, separation of water content or otherwise deteriorate over time
- sludge/wax formation (made up of both organic and inorganic materials) may lead to very significant pumping and ROB issues
- tank coatings, pumps, lines and valves may be affected if cargo becomes unstable, separates or on loading contains a significant amount of aggressive materials, including any prolonged contact with hydrogen sulphide (H₂S)
- tank cleaning: long term storage of crude is likely to mean that the tanks will need more than a usual COW wash and a full tank cleaning may be necessary
- otherwise routine tank vapour management may become an issue, as venting may not be possible in all locations, and this is exasperated if the oil has a high (H₂S) content, say greater than 15 ppm
- temperature fluctuations can cause venting during afternoons which may be followed by a drop in pressure at night, thus necessitating the running of the top up generator to avoid air being sucked in to the tanks or risk the atmosphere reaching the explosive zone
- if the vessel is at anchorage, suitable preparation and maintenance of the main engine and auxiliaries will be necessary
- the hull may become fouled if the vessel stays at any location for a significant amount of time, and that may occur during drifting as well as short voyages followed by lengthy stays at anchorage or drifting
- the vessel's class will need to be consulted, at least for the arrangement of periodic surveys and maintenance of certificates
- manning will be important, including compliance with SOLAS, SCTW and the MLC, as well as arrangements for appropriate crew rotations and shore leave
- vessels drifting or at outer anchorages need to maintain safe levels of fuel, water and provisions. **SN**

Keep up with fast-changing trade bans

HFW's **Daniel Martin** advises how to navigate the minefield of national trading restrictions



**Daniel
Martin**

Brokers are not immune to the increasing burden of regulation which affects businesses worldwide and as such, international trade sanctions are one key area that shipbrokers should be acutely aware of. With almost continuous sanctions developments, and very onerous penalties imposed on those who get it wrong, this is an area where continuous vigilance is required.

In this article, we will look at four key issues, namely which countries impose sanctions, which countries are the object of sanctions, what type of restrictions the sanctions impose and what steps brokers should take to ensure compliance.

Sanctions are imposed by a host of national and supra-national bodies. The United Nations imposes measures which are binding on UN Member States (i.e. countries) rather than on private companies and individuals. Given the challenges of building consensus at the UN, the restrictions mandated by UN resolutions tend to be relatively limited, but they do usually form the basis for more onerous national restrictions.

UN Member States such as the US and countries of the European Union adopt their own legislation, which is binding on individuals and companies, to comply with their UN obligations. That legislation will commonly include restrictions which are more onerous than those required by the UN. In addition, particular countries may decide to impose restrictions in circumstances where the UN has not imposed restrictions.

Brokers, like other businesses, need to comply with all restrictions which apply to them, and this article focuses on the EU sanctions (which apply to companies incorporated in EU Member States, nationals of EU Member States, and any business done in whole or in part in the EU) as well as US sanctions as they apply to non-US persons. In particular, because payments in US Dollars need to be cleared by US banks, the US domestic sanctions will effectively apply to any trade denominated in US Dollars.

APPLICABILITY

As sanctions are imposed in response to political developments, the countries which are the object of trade sanctions tend to be those where governments or other authorities are following policies which are being targeted by the countries which impose the sanctions.

Sanctions may be directed at a particular leader who refuses to recognise democratic progress (for example Laurent Gbagbo

“Because payments in US Dollars need to be cleared by US banks, the US domestic sanctions will effectively apply to any trade denominated in US Dollars”



Credit: 401kcalculator.org

US domestic sanctions apply to any trade denominated in US dollars

in Côte d'Ivoire and Bashar al-Assad in Syria) or a regime which is pursuing particular domestic policies (for example, in the case of Iran) or foreign policies (as with the recent Ukraine-related sanctions).

Historically, sanctions have tended to be imposed against countries in the Middle East and Africa, but recent developments in relation to events in Ukraine show that they can potentially be imposed against any country in the world, if there is sufficient political and diplomatic will. What has also become clear over the past five years is that sanctions are a tool which is popular with politicians, and therefore we can expect to see sanctions continue to be used as a tool of foreign policy.

Currently there are around 20 EU sanctions programmes in place, including not just the Iran-, Syria- and Ukraine-related sanctions (which also target individuals and entities in Russia) but also programmes relating to Sudan, Democratic Republic of Congo and Belarus.

While sanctions typically impose a number of different restrictions, those which will impact on commercial organisations tend to fall into the following three main categories.

The first category of restrictions is the asset freeze (i.e. financial restrictions targeted at particular individuals and companies). The lists can be lengthy (the Iran list includes 93 individuals and 483 entities) and are amended from time to time (with immediate effect), as sanctions are increased or reduced. For example, in the case of the EU sanctions against Libya in 2011, there were 14 separate EU regulations in a little over six months. The initial asset freeze was limited to six individuals and 20 entities, but within around five months the list of sanctions targets had increased to 39 individuals and 55 entities.

OUT IN THE COLD

The asset freeze is two-pronged: first, the funds and economic resources of the named individuals and companies are frozen, and second it is prohibited to make any funds or economic resources available directly or indirectly to or for the benefit of the prohibited individuals or companies. "Funds" include not only cash but also letters of credit, performance bonds and guarantees, while "economic resources" will include virtually anything of value. There is a defence where the person accused of violating the sanctions can show that they did not know, and had no reasonable cause to suspect, that their actions would infringe the sanctions.

The second category of restrictions is the ban on trading particular goods, where those goods are either inherently problematic (e.g. nuclear proliferation items or equipment for internal repression, such as body armour, water cannon or night vision equipment) or where the goods are themselves innocuous, but trade in those goods is funding the targeted policies or supporting the regime.

For example, the sanctions against Syria include bans on the supply to Syria of luxury goods, certain equipment for monitoring or intercepting internet or telephone communications and certain equipment for construction of new power plants in Syria, and the Iran sanctions include bans affecting Iran's ability to export crude oil, petroleum products and petrochemicals (some of these bans are currently wholly or partially suspended as a result of progress in nuclear talks with Iran).

The third category of restrictions is the ban on associated services (e.g. financing, insurance, brokering). This supports the first and second categories by restricting the ability of banks, insurers and brokers in the EU to engage in transactions for principals outside the EU, and therefore indirectly restricts the ability of non-EU individuals and companies to trade with sanctioned countries, at least where they are dependent on EU-based banks, insurers or brokers.

BROKING BAN

There are bans on providing, or brokering, insurance or reinsurance to Iran (including its government, its public bodies and Iranian companies) and Syria (including its government and its public bodies), restrictions affecting the ability of banks to engage in business relationships with Iranian banks, and restrictions on certain Russian entities' access to debt and capital markets.

There are also restrictions (which are currently suspended) on making oil and petrochemical tankers available to Iran or for carriage of Iranian exports. In addition, as mentioned above, the UK legislation tends to include an offence of enabling or facilitating a breach of the sanctions.

Brokers should continue to carry out (and document) the due diligence which they conduct on all parties to the transaction, to ensure that they are not included on a sanctions list. They should ask



Credit: Louis Vest

There is a suspension on making tankers available to Iran

questions of their principal, and trust their instincts where there are grounds to suspect a possible sanctions issue. They should also be aware of the issues relating to US Dollar payments, as well as any involvement of a US national or company.

Where brokers have information about a particular voyage (for example where a vessel is being fixed on a voyage or trip time charter basis), they should consider whether the relevant ports and cargo give rise to any issues.

Finally, in order to protect their principals, brokers should consider whether the charter should include a suitable sanctions clause, or any other contractual warranties or protections. **SN**

“Brokers should continue to carry out (and document) the due diligence which they conduct on all parties to the transaction, to ensure that they are not included on a sanctions list”

Daniel Martin is a partner at Holman Fenwick Willan. He advises traders, shipowners, freight forwarders, insurers and brokers on a host of regulatory and compliance issues, including international trade sanctions, export controls, customs and anti-corruption legislation. Daniel can be contacted on Daniel.martin@hfw.com or +44 (0)20 7264 8189.

An international voice on a global stage

Fazlur Chowdhury gives an insight into shipping's influential United Nations' agency



Fazlur
Chowdhury

It was some time in 1948 that the General Assembly of the United Nations (UN) passed a resolution to establish a specialised agency under the UN-umbrella to look after legal and technical aspects of international shipping and maritime affairs. The purpose was to adopt common international practice and procedures so that shipping could operate freely without being subjected to differing national laws. This would ensure development of global trade without hindrance to the benefit of the world community.

The Government of the United Kingdom offered to host this important UN agency to be named as Inter-Governmental Maritime Consultative Organisation (IMCO). The number of acceptance for the treaty to come into force was achieved by 1958 and in 1959 the first Assembly of IMCO met in 104, Piccadilly, London, a temporary site provided by the UK Government.

Her Majesty's Government was very keen to uphold the image of the City of London, which was historically the seat of Lloyd's of London, as a centre of maritime activities. Soon the British Government built a purpose built headquarters for the UN agency on a befitting location on the south bank of the river Thames.

In the meantime, the name was changed into International Maritime Organization (IMO), in keeping with other such UN agencies and reflecting the positive role being played by the organisation. IMO now looks after maritime safety, security and protection of marine environment. The slogan is 'safe, secure and efficient shipping on clean oceans'. In respect of marine environment, it works in close cooperation with UNEP (United Nations Environment Program).

AUTONOMY ABOUNDS

IMO is a specialised agency because of its autonomous character. It has its own membership (not necessarily connected with UN membership), own funding and budget (not dependent on UN), and elects its own head. However, by an agreement with the United Nations, it abides by the UN system and procedures to work under the UN umbrella and deposit to UN Secretary General copies of all conventions adopted through IMO as and when they enter into force. Though IMO is not a body or organ of the UN, it is a specialised agency like the International Labour Organization (ILO), International Telecommunications Union (ITU) and International Civil Aviation Organization (ICAO). All of them work within the UN umbrella.

The Assembly remains the highest body of the IMO and meets once every two years. The Assembly gives the final seal of approval to all work done by the Council and certain important work done by various committees. The Assembly is also an opportunity for member states to gather and meet each other at the highest level to renew their relationship in the diplomatic



Credit: IMO

The IMO is the only UN agency to have its headquarters in London

front. The Assembly conducts election for 'Council' which is like the governing body or executive body of the organisation.

The Council has 40 members elected by the Assembly and it meets twice a year to plan, supervise, monitor and audit the work of the IMO. Subject to the final approval of the Assembly, it is the Council that selects the Secretary General (later to be approved by the Assembly) to run the organisation as its chief executive. The Council approves the budget and adopts the work program and is very much like the executive body. Council members are often the target for lobbying by other member states on various issues. Since the members are elected, it is a prestigious body and as a member of the Council, a member state may exercise a lot of influence.

GIMME FIVE

There are five committees and all members may be represented in the committees as equal partners. The Maritime Safety Committee (MSC) is the most vital committee, meeting three times in a two-year period. The Maritime Safety Division (MSD), headed by a director, provides the secretariat service to the MSC. The Committee reviews progress and development relating to SOLAS, LL, STCW and CSC conventions.

The next important committee is the Marine Environment Protection Committee (MEPC) which also meets three times in each two-year period. All member states may be represented as equal partners. The MARPOL-73/78 Convention remains under continuous monitoring by this Committee. Besides, the Committee also monitors Intervention-69, OPRC-90, LC-72, AFS-2001, Ballast-2004 and Recycling-2009 Conventions. The Maritime Environment Division (MED), again headed by a director, provides secretarial support to this committee.

The Technical Cooperation Committee (TCC) meets once every year and all member states may be represented. The

Committee reviews the need for technical co-operation required by any region or individual member state. The IMO now has a number of regional co-ordinators and field consultants who provide necessary guidance and assistance.

The IMO has also set up two international institutes to help developing countries to boost their capacity build up. The International Maritime Law Institute (IMLI) at Malta provides a LLM (Master's in Law) course so that member states can transpose the requirements of international conventions into national legislation. Meanwhile, the World Maritime University (WMU) at Malmo, Sweden offers an MSc course to develop the necessary skill for implementation of the requirements especially in respect of survey and certification, so that the relevant member states can be identified as having competent administrations to shoulder their responsibilities. Similar to the previous committees, the Technical Cooperation Division (TCD), headed by a director, provides necessary secretarial support to the Committee.

LEGALLY SPEAKING

The Legal Committee (LEG) meets once every year and may be represented by all member states. This committee normally looks after instruments relating to claim and compensation regime. CLC-92, HNS-96, Fund-92, LLMC-72, SUA-88, Wrecks-07 are constantly under its review. LEG also provides legal support and guidance to other committees and sub-committees when required.

The Facilitation Committee (FAL) meets once every year and all member states may be represented. This committee devotes its efforts to simplifying procedural paperwork.

In addition to the five committees, there are seven sub-committees which also meet once a year and all member states may be represented in each of them. The sub-committees are: Ship design & Construction (SDC); Pollution Prevention & Response (PPR); Human Element, Training & Watch-keeping (HTW); Ship Systems & Equipment (SSE); Safety of Navigation, Communication & Search and Rescue (NCSR); Carriage of Cargoes & Containers (CCC), and Implementation of IMO Instruments (III).

Member states are continually submitting ideas, concepts and proposals to the committees, all of which are analysed by the respective secretariats and then placed before the respective sub-committees and committees for evaluation and consideration. Important decisions need the further approval of the Council before they are placed before the Assembly for adoption as a Notice, Circular, Resolutions or Amendments to existing instruments.

Where there is a need for a new regime, the IMO would convene a diplomatic conference to adopt a new convention. The working paper would be prepared by the committee concerned, with the support of the relevant secretariat.

IMO meetings for the Assembly, Council, committees, sub-committees or diplomatic conference



Credit: IMO

The IMO Council selects the secretary general, currently Koji Sekimizu, to run the organisation

always elect their own chairman. When a diplomatic conference is held abroad, it is customary to elect the chairman from the host country.

SECRETARIAL ROLE

The secretary general of the IMO officially remains the secretary to all such meetings supported by the director and staff of the relevant division. Delegates need to have their credentials issued by the Head of the State, Head of the Government or the Head of the Foreign Ministry. In some cases, their foreign embassy in London may issue such a credential. The head of a delegation is normally referred to as Representative and other members of the delegation as Alternate Representative or member or adviser.

For the sake of maintaining the continuity, many countries have their Ambassadors to the UK concurrently accredited to the IMO as its Ambassador or Permanent Representative. Such Embassies or Missions will normally have a suitably qualified technical person to make day-to-day attendance to IMO. However, for most of the important meetings the delegation will comprise of people working in the relevant administration. MSC, MEPC and HTW meetings are normally attended by duly qualified and experienced professionals from respective member states, which is why it is not unusual to see a Foreign Minister or a Transport Minister leading the delegation in the Assembly.

At an international level, any activity at sea falls under the purview of IMO. That is why IMO is also responsible for fishing vessels, pleasure yachts and even offshore activities so far it relates to safety, security and environmental protection. However, it must be clearly understood that the IMO is not an international government; it is where member states discuss and develop international standards but their enforcement through national laws remain the responsibility of member states. **SN**

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“[IMO] Council members are often the target for lobbying by other member states on various issues and ... may exercise a lot of influence”



Faulty foundations could topple EU tower

Andrew Lansdale predicts shaky times ahead for the regional trading bloc



Andrew
Lansdale

Jengo is a Swahili word meaning 'to build'. Jenga is the name of a game where players are presented with a wooden tower-like structure built up from loose wooden blocks. In turn, each player has to remove a block from somewhere in the tower and place it onto the top. Eventually the structure becomes unstable and topples over.

A similar analogy can be made with the Euro. Every time a member of the Eurozone exceeds their allowable borrowings, a block is removed from the structure. Every time harsher fiscal strictures are forced on Eurozone partners, another brick is removed. And every time more austerity measures are imposed on a Euro state, another block is removed.

The austerity packages that are inflicted upon southern European states are becoming more and more divisive. The Greek general election result will accelerate this process. Some commentators are confident that Spanish and Portuguese elections will follow very much the same course. In the next nine months, the shape of southern Europe will be very much changed. Elections will also take place in the UK, Poland, Denmark, Finland and Estonia. So perhaps the political shape of the whole of Europe will be much altered.

The European Union has a population of more than 500m people and generates 23% of the world's GDP. Thus if things are changed radically, the consumption of energy will be markedly reduced. Therefore the gap between the world's oil demand and its consumption will grow ever-wider.

This is a mixed blessing for the oil and tanker industry. It has been temporarily good for VLCCs and suezmax tonnage. More than 40 VLCCs have been taken on timecharter for storage duties. Shell has taken some on charter for as long as three years, an indication of how long oil prices are expected to keep low. Thus in this way, tanker rates continue to maintain a high level. The controlling factor in these rate rises is the introduction of newbuilding VLCCs. There are some 92 units on order over the next couple of years. As these start trading, competition will gradually make its presence felt, but slowly.

In addition, according to a New York-listed product and chemical tanker owner, clean tankers are also benefiting from storage opportunities. Initially, Large Range (LR), both those of 75,000 tonne cargo capacity and the 55,000 tonne variety, were involved, but this is cascading down to MRs. As large crude carriers are experiencing high rate levels, so clean tanker rates are also getting a boost.

"The austerity packages that are inflicted upon southern European states are becoming more and more divisive"



Credit: Ed Garcia

The foundations of the eurozone are failing

Liquid gas, both LNG and LPG, is gaining more and more headlines. LNG is developing a spot market, similar to traditional tanker trades and there is talk that the Baltic is studying LNG trade routes for additional BIFFEX coverage. Singapore is developing into an LNG hub with increasing storage, discharging and loading facilities and small players, such as Papua New Guinea, are growing bigger as are Australian LNG producers, especially from the Northwest shelf. The Australian ambition is to overtake Qatar as the largest producer by 2020. So far the signs are good.

On Australia's East coast, the Queensland Curtis project, run by the BG Group, started exporting at the beginning of the year. This is an unusual venture which liquefies methane gas from coal seams and exports cargoes from Gladstone. **SN**

Boxed up



Containerships remain in the news as one large ship leap-frogs another to become the world's largest, the intervals between records seeming only to be a couple of weeks. Writing in *Lloyd's List*, veteran maritime columnist Michael Grey has produced some interesting statistics for when one of these monsters appears in port. They would tranship into six 800-teu feeder ships or require more than fifty railway locomotives hauling 90 railway wagons. In addition, three 90-teu inland container barges and no fewer than 2,640 trucks would be needed to handle the logistics of just a two-thirds load. The trucks alone would occupy nearly 100 miles of roads.

In Long Beach and Los Angeles, which are not yet fitted to handle such large ships, there is continuing congestion as the ports struggle to handle the logistics of clearing boxes from the port area. There are sometimes as many as 20 ships awaiting a berth. But at least this is good news for the container fleet: freight rates are firming as this congestion causes greater demand for tonnage.

We are also seeing owners sending less economical ships to the scrapyards, even though scrap rates are falling. China's steel industry is struggling to reduce steelmaking capacity, so it has introduced a powerful export drive to make steel billets cheaper than recycled steel from ships. Some are saying that this is nothing less than dumping and countries on the Indian sub-continent are fighting back with import taxes. **SN**



Boxes as far as the eye can see

Keeping dry



Some VLCCs have found that there's good money to be made in storage



Credit: Frans Caspers

From January 1st this year, certain international provisions came into force to prohibit the carriage of cargoes likely to liquefy on board a bulk carrier. Some charterers involved in the transport of such cargoes, such as bauxite, iron ore fines and nickel ores have refused to allow independent pre-loading moisture testing of the intended cargo.

Also mandated is the provision of transportable moisture-limit certificates. This is compulsory under the amended International Maritime Solid Bulk Cargoes Code (IMSBC) code. It verifies that the moisture content of cargoes is safe.

If owners refused to have lifeboats, liferafts, lifejackets and fire-fighting equipment aboard their ships, they would not be allowed to sail. If the boot is on the other foot and the charterer does not follow safety codes, the owner should refuse to load the cargo without these moisture content documents being issued. He should refuse, contact the authorities and the charterers should be blacklisted.

But of course, nothing will happen. The wheels fell off the dry bulk market in a similar fashion in the early 1980s. Any cargo that is quoted will be instantly fixed, probably at a loss. Beggars cannot be choosers in these hard times, liquefying cargoes or no. During the first three months of 2015, owners had to trade their ships at well below operating costs which is a continuing drain on their sparse cash resources. In addition, their equity is fading away. The Baltic Dry Index (BDI) remains close to its lowest level for more than 30 years.

And no one can rely on China any more. There will be no more white knights riding to the rescue from the Far East. China's debt, including bank debt has quadrupled since 2007. This is equivalent to nearly 300% of GDP. And things may not be as they seem in the US, despite the strong dollar and falling unemployment. We saw in 2008 how small deposit house mortgages led to banks offloading these risky loans to insurance companies or other buyers through credit default swaps. Risk exposure was at times impossible for investors and creditors to discern. And now it is happening all over again; not in the housing market, but in automobile loans. Could this lead to another collapse in the US' financial sector?

For the dry bulk sector, can things get any worse? The general feeling is that things are bad enough so that any further falls will only be slight. As shipbroker Hartland Shipping Services stated on the eve of Chinese New Year, "Universal gloominess invites the contrarian view that a nice surprise surely lies ahead;" they continue, "We welcome the Chinese year of the sheep. People born in this year are advised not to gamble, but to live within their means."

Good advice; but too little, too late for many in the dry bulk sector.

SN

Legal Eagles...



Do you have a burning legal question for the HFW *Shipping Network* team? Email 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



Does an otherwise safe port become unsafe if there is an 'abnormal occurrence'?



Jean Koh



In the case of *Ocean Victory*, the Court was asked to consider a number of points, and the Court of Appeal earlier this year handed down its judgement. In this answer we look at only the most high profile point considered, regarding an 'abnormal occurrence' in the context of a safe port.

In September 2006 *Ocean Victory*, a capesize bulk carrier, was ordered by her charterers to discharge her cargo of iron ore at Kashima. She began discharging but had to stop due to strong winds and heavy rain. The situation rapidly deteriorated. The berth was affected by both considerable swell caused by long waves and high winds of up to Beaufort Force 9. On October 24, the Master decided to leave the berth for open water, but the vessel got into difficulties while leaving port. She was driven on to the breakwater wall, becoming a total loss.

A claim in excess of \$135m was brought against the time charterers (and passed down the line to sub-charterers) for breach of the safe port warranty contained in the respective charters.

The charterers raised three main defences. First, they denied that the port was unsafe. They said the conditions on October 24 were an abnormal occurrence. Secondly, even if the port was unsafe, the cause of the loss was the master's negligent

navigation and/or his navigational decision to leave the port. Thirdly, they advanced an argument of non-liability based on a clause in the demise charter regarding insurance. Points two and three are not considered here as they are not relevant to answer the current question.

The High Court found that Kashima port was unsafe. This was because it did not have a safe system to ensure vessels wanting to leave port in such weather conditions – which it rejected as being an 'abnormal occurrence' – could do so safely, and that safe navigation out of the port required more than good navigation and seamanship. As a result it held that there had been a breach of the safe port warranty.

PERMISSION GRANTED

The charterers were granted permission to appeal on three points, of which we only need look at one to answer the question above. That is, had there been a breach of the safe port warranty?

The Court of Appeal allowed the appeal and concluded that the conditions which affected Kashima on October 24 were an 'abnormal occurrence'. The charterers therefore did not breach the safe port warranty.

The abnormal occurrence in this case was the combination at the port of two features on October 24. First, such severe swell from long waves that it was dangerous for a vessel to remain at her berth. Secondly, severe gale force winds from the north/northeast in the exit fairway so as to make navigation of the fairway dangerous or impossible for capesize vessels. The two were the 'critical combination'.

The Court of Appeal agreed with the charterers that the critical question was whether the 'simultaneous coincidence' of these two critical features was an abnormal occurrence, or a normal characteristic of the port. Was it an unexpected event for capesize bulkers calling at Kashima to find it necessary to leave the berth due to danger from a long-wave swell at the very time when it was dangerous to transit the fairway?

The Court of Appeal clarified the approach to considering whether or not an event is an 'abnormal occurrence'. The key is to assess 'realistically and having regard to whether the event had occurred sufficiently frequently so as to become a characteristic of the port'. The past frequency and regularity of the features occurring in combination as well as the prospects of it occurring again must therefore be evaluated.

In this case the Court of Appeal found that the combination of both long wave swell and northerly gales was not regular or even occasional. The High Court had found that 'the concurrent occurrence of those events was rare'. The storm that affected Kashima on October 24 was of an exceptional nature in terms of its rapid development, duration and severity. All these points



Credit: Yoshiniko Inui

The *Ocean Victory* was a total loss after being driven on to the breakwater wall

led the Court to conclude that the conditions experienced at Kashima that day were an 'abnormal occurrence'.

In the case of Kashima on October 24, 2006 two particular features combined – the coming together aspect is important – to make an 'abnormal occurrence'. The context is that in the port's 35 year history there was no earlier casualty of a similar nature. The *Ocean Victory* appeal decision confirms that an 'abnormal occurrence' is precisely that, and a safe port does not become unsafe when a previously unknown 'abnormal occurrence' occurs. **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.



Credit: Yoshiniko Inui

The storm that affected Kashima on October 24 2006 was considered exceptional

Securing protection from future claims



Is a Settlement Agreement worth the paper it is written on?



It is usual to include a term in settlement agreements to the effect that no further claims are to be brought in relation to the dispute which is the subject of the agreement. This is to achieve finality, which is desired by the parties, and is necessary for legal and commercial certainty.

Settlement agreements should contain a further term setting out the law and jurisdiction under which the settlement is agreed and for any dispute under the agreement. Assuming that the settlement agreement is properly drafted, this clause should (subject to any decision of the Court to the question or issue in dispute) enable the terms of the agreement to be enforced.

Is this the case in practice? Consider the *Alexandros T*. In 2006, the *Alexandros T* sank off the South African coast. The owner made a claim on its insurer under the terms of the insurance policy and for insured risks, which resulted in proceedings in the English High Court. This insurance policy had an exclusive jurisdiction clause and, in 2008, agreement was reached in full and final settlement of all and any claims under the policy. The sums initially claimed were to be paid to the owners and, as part of the settlement, no further claims were to be brought with regard to the loss of the vessel. Further, the owner would indemnify the insurer in respect of claims by various third parties in relation to the loss of *Alexandros T* or under the policy.

In 2011, notwithstanding the settlement terms, the owner brought claims against its insurer (and others) for, among other things, alleged fabrication of evidence and defamation. These proceedings also included claims against (among others) the insurer's servants and agents, which meant that various individuals were being sued by the owner in their personal capacity. This time the

claims were brought in Greece, and in tort rather than in contract. Did the settlement terms protect the insurer?

There have been a number of decisions in the (English) Courts on various aspects of these disputes. In July 2014 the Court of Appeal held that the settlement clauses in the 2008 agreement should be interpreted so as to give a sensible commercial meaning. That Court went on to find that the Greek proceedings fell within the settlement and indemnity provisions of the settlement agreements. They granted damages to the insurers accordingly.

The proceedings in the Commercial Court in September 2014 concerned the rights of and remedies available to the individual employees or agents of the insurer, who had been sued by the owner (in 2011) in its personal capacity. The Court agreed that the word "underwriters" in the settlement agreement covered their servants and agents, and the intention of the settlement agreement was to give the parties a 'clean break'. Excluding servants and agents from the term "Underwriters" defied business common sense.

The Courts have adopted a practical approach to the interpretation of the settlement agreement, seeking to apply a construction consistent with business common sense. Note, though, that the case turned on the interpretation of the particular words used in the settlement terms, and each case will therefore turn on the wording of the agreements in dispute. **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 Jean Koh, Jenny Salmon and Guy Main. Jean is a partner, Jenny 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 spent 18 years as a shipbroker.

Sri Lanka award ceremony full of fun and flair

The Institute of Chartered Shipbrokers Sri Lanka Branch's flagship event, the 21st Annual Award Ceremony was held on in February at the Cinnamon Lakeside Hotel, Colombo.

The chief guest at the event was the Minister of Finance, Hon. Ravi Karunanayake who was joined by guests of honour, Hon. Arjuna Ranatunge, minister of Ports, Shipping & Aviation and Hon. Karu Jayasuriya, minister of Public Administration and Buddha Sasana.

The keynote address was delivered by Hon. Dr Harsha de Silva, deputy minister of Policy Planning and Economic Development, talking about career paths and the challenges along the way.

The event was well attended, with the successful students and their families mixing with representatives of the shipping community as well as the members of the local branch. The event demonstrated the continuing success of the Sri Lanka Branch as a leader in the promotion of high standards of professionalism in the local maritime industry.

The international emphasis of the award ceremony was highlighted by the presence of Bruce Ogilvy, international Institute



Sri Lanka congratulated its successful students

president, who was accompanied by his wife Wendy. The speakers were full of praise for the undoubtedly hard work put in by the award-winning students as well as those who had completed their Foundation Diplomas, Advanced Diplomas or Qualifying Examinations to be eligible for membership of the Institute.

The Sri Lanka students who scored the highest marks in individual subjects were congratulated, while certificates and medals were awarded to 10 Foundation Diploma and Advanced Diploma students, 10 new Members and two Fellows. [SN](#)

Cricket all-rounder

The Hong Kong Branch supported the Noble Cricket Sixes 2014 held at the Kowloon Cricket Club in December through its sponsorship of a trophy for the player of the tournament.

Hon Secretary Anand Sharma presented the trophy to Andrew McCulla. Andrew, playing for the lawyers' team, performed well in batting, bowling and fielding. [SN](#)



Hong Kong Branch publishes Gold Jubilee Book

The Hong Kong Branch launched its Gold Jubilee Book at its annual Christmas Cocktail Reception in December.

The 150 guests included the eminent figures of Ivan Tung, deputy director of marine; Peter Wong, Deputy Solicitor General; Frankie Yick, Legislative Councillor; Kerr Li, Transport and Housing Bureau; Kingsley Koo, chairman of Hong Kong Shipowners' Association; Prof Anselmo Reyes, Asia Pacific Regional Office of the Hague Conference on Private International Law; Philip Yang FICS, Hon chairman of Hong Kong International Arbitration Centre; The Rev Stephen Miller, senior chaplain at The Mission to Seafarers; Prof Chin-Shan Lu, director of CYT ICMS; and

Dr Meifeng Luo, director of IMC-Frank Tsao Maritime Library and Research & Development Centre.

In his welcome speech, branch chairman YK Chan briefed the audience on the branch's development and achievements in 2014. The branch band ICS Fixture played music throughout the evening.

Membership certificates were presented to new members and certificates of appreciation were given to student volunteers in recognition of their assistance to ICS Hong Kong functions in the year. YK led the singing of Christmas Carols with guests, members and friends. [SN](#)

Partnership with Breakbulk for shipping education

The South Africa Branch of the ICS hosted a stand at the recent Breakbulk Africa conference in Sandton, combining the common ideologies of both bodies in promoting shipping education.

The event provided an ideal opportunity for students from the Institute and those attending the Breakbulk Africa event to listen to industry experts discussing their work and the state of the industry and also to ask questions to the experts to develop their understanding of the ICS subjects. **SN**



Members of the Institute Malte Kersten, Eddy Nielson and Sandy Govender meet with international chairman Capt Richard Brook-Hart (second from left)

Party like it's the 1920s



In February, the Greek Branch organised a masquerade party with the theme 'Shipping in the early 1900s'. More than 100 members and students attended, proving a great opportunity to promote networking among professionals, members and students. Pictured here is lawyer Efthymis Gogis, MICS, as a sailor; Natalia, Stavroula and Billio from the Branch; tutor Simon Ward as a sailor; and student Alex Bougiouris as a sailor. Inspired by the idea, the London branch hopes to organise a similar party.

In brief

Collaboration pact

Hong Kong Polytechnic University's CY Tung International Centre for Maritime Studies (CYTICMS) has signed a Letter of Understanding with the Hong Kong Branch in order to enhance collaboration between the two bodies. CYTICMS is already a co-organiser of the branch's ICS Study Group and it arranges venues for the ICS examinations every year.

Maritime council re-appointment

Hong Kong Branch vice chairman Iris Mak and education officer Dr Jimmy Ng have been re-appointed in their own capacity as members on Hong Kong Maritime Industry Council for two years from January 1, 2015. MIC is a dedicated, high-level advisory body made

up of private sector and government officials that advises the government on the formulation of measures and initiatives to further develop Hong Kong's maritime industry.

MIC will participate in the Education and Careers Expo to be held in February 2015. The Hong Kong Branch will use the opportunity to distribute ICS promotional materials at the event.

HK Branch first for meeting

The Hong Kong Branch will host the first ICS Membership Committee meeting outside London on March 5-7. As well as the meeting, there will also be a PREP revision course for Hong Kong students. The branch plans to hold a cocktail reception on March 6 for the Committee to meet local members and friends in the industry. **SN**



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Singapore heads to Flyer for iconic awards

The Singapore Branch held its 2014 exam prize giving ceremony in January at the Singapore Flyer, the world's largest observation wheel, close to the waterfront.

Over a hundred guests attended – including members, prize winners and sponsors – to celebrate the presenting of

17 awards, one for each subject and one for the best overall student.

The Best Overall Student award – sponsored by the Maritime & Port Authority of Singapore – was won by Abner Carvalho of Anglo Eastern Ship Management. [SN](#)



Branch chairman Subhangshu Dutt announces the awards



The Best Overall Student award is presented to Captain Carvalho

Greek Branch celebrates a decade and counting

In an extremely well-attended event, the Institute Greek Branch celebrated 10 years in Greece by organising its 10th Annual Forum in December 2014 at the Eugenides Foundation.

The Forum was entitled That Sinking Feeling: When will the shipping market rise again?

Natalia Margioli FICS, vice chair of the ICS Greek Branch, and Nicolas A. Tsavlis, FICS, chairman of ICS Greek Branch, welcomed more than 400 attendees. In her welcome address, Mrs Margioli reflected on the foundation of the branch and proudly assessed that it has gone a long way in the last 10 years towards achieving its goals. This has been partly the result of hard work, commitment and support from the Institute Head Office, but also the result of the gratefully-received shipping industry's support and encouragement.

International Institute president, Bruce Ogilvy, attended the celebratory event and spoke about the good, the bad and the ugly in today's shipping markets. He also spoke of the Greek Branch 'stealing the show' as it has now overtaken London as the top examination centre for the first time ever. Mr Ogilvy

congratulated the Greek Branch and Mrs Margioli on this achievement.

In his address, Mr Tsavlis expressed his pride at the Branch's accomplishments, especially its students' distinctions within a framework of transparent international competition. Other speakers included Michael Bodouroglou, chairman and chief executive of Paragon Shipping; Henry Curra, global head of research, Braemar ACM Shipping Group; John Dragnis, chief executive of Goldenport Holdings; George Gourdomichalis, managing director of Phoenix Shipping & Trading; Harold Malone, managing director, Jefferies Maritime Investment Banking Group; and Simon Ward, director at Ursa S&P Shipbrokers. Ioannis Kehagias, FICS, chief executive of White Sea Navigation, was the panel moderator.

Once again, the Forum's proceedings closed on a celebratory note with an award ceremony to honour outstanding performance in the April 2014 examinations. The Greek Branch also honoured Michael Bodouroglou and John Platsidakis, who were recently elected as honorary members of the Institute of Chartered Shipbrokers. [SN](#)



Ten years on and the Greek Branch is stronger than ever



Maritime Museum inspiration

As part of the Hong Kong Branch's contribution to Hong Kong Maritime Awareness Week, executive committee member John Wilson FICS gave a talk to local high school students at the Hong Kong Maritime Museum in November.

The talk centred around the journey in the classic Jules Verne story 'Around the world in 80 days', which was set in 1872, and included a port call at Hong Kong. The students were asked to compare the ships of the 19th century with the ships that are sailing the high seas today, and to look at the importance of the port in the growth of Hong Kong since then.

The students also enjoyed a guided tour of a tug boat moored alongside the museum for the occasion. [SN](#)



John Wilson FICS engages with local high school students

Second examination sitting proves successful

In 2014, the Institute introduced a second sitting of professional examinations for the first time in its 104-year history. The decision allowed exam candidates to have a shorter gap between sitting their first tranche of exams and the second.

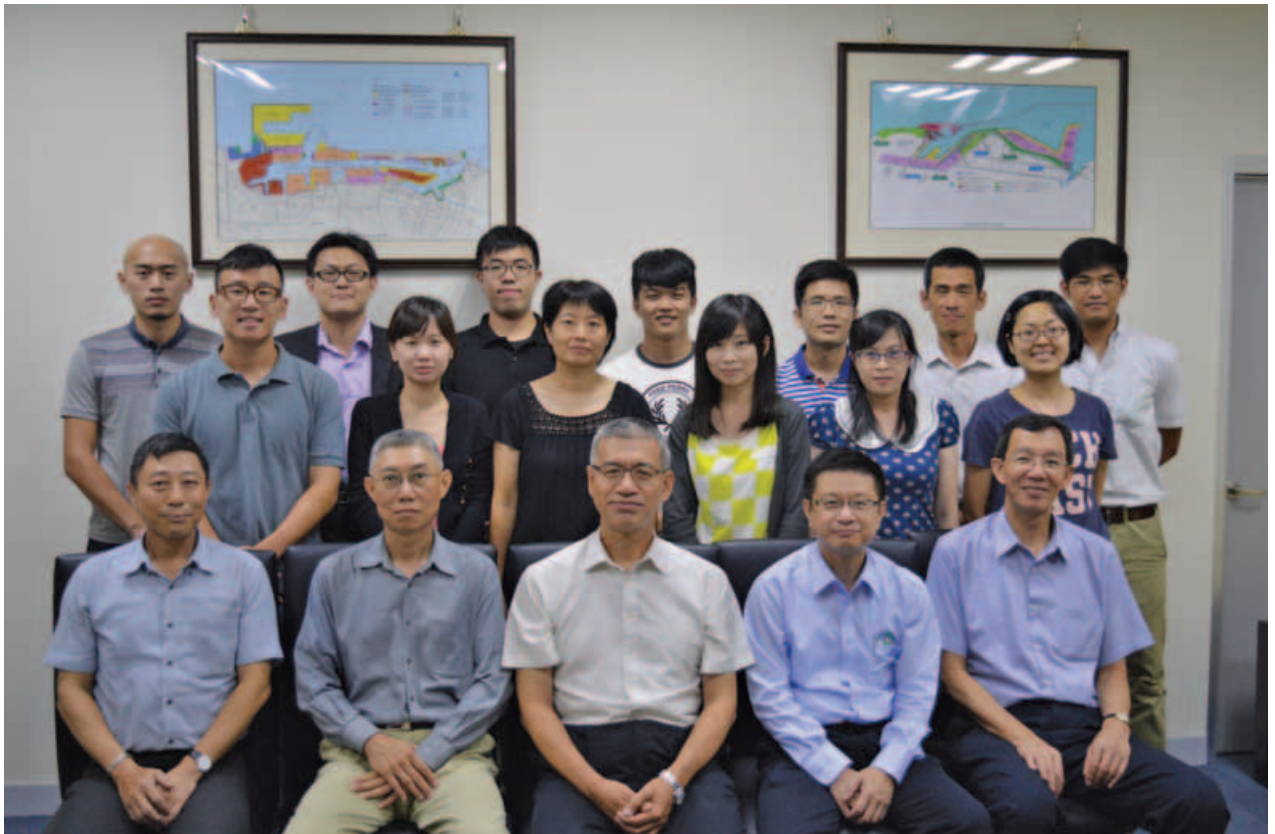
Allowing two sets of exams was always going to be an experiment for the ICS, but the results have proved that it was

the right decision and a very popular move with the exam candidates.

Last April saw more than 2,500 students sitting some 6,000 exams in more than 100 exam centres around the world.

In November, the Institute restricted the number of exam centres to 35, but still registered more than 900 students, who sat more than 1,500 papers. [SN](#)

Hong Kong celebrates TIPC training programme



Students and lecturers of the Hong Kong Branch's Taiwan International Ports Corporation-ICS joint training programme celebrate the success of the first semester. The second has now come to a close and the third semester of the joint training programme will start in March 2015.

Study and networking in equal measures

ICS student representative [Thomas E'Silva](#) gives a round-up of South Africa's Prep weekend

The day of the South Africa Branch Prep 2015 had finally arrived and as a student who had experienced an ICS Prep weekend before, I can assure you that as much as we were excited, there was still that dreaded little voice in the back of your head reminding you of the first day mock exam. So even though the first year students far outnumbered the previously 'prepped' students, you can imagine our instant state of relief when we were informed that the ICS South Africa Branch committee had decided to try a year without the exam in order to add an extra lecture to the weekend.

Friday got off to the usual start of signing in and collecting your ICS Prep weekend file. We then had lunch before moving into the main hall for a bit of housekeeping from Rob Gardner, FICS, and a very useful presentation on the 'Do's and don'ts of exams' by Susan Oatway, FICS, who came all the way from the UK. Once everyone had arrived, we moved into our lectures to get the studying started.

In the evening we all split into our designated teams and enjoyed a fun quiz evening which was organised and planned by Natasha Vaughan, FICS, and Shelley Dovey, FICS. We were then left with rest of the evening to ourselves.

Perhaps the Saturday morning came too soon for a lot of students who had maybe taken the 'networking' a tad too far but I am proud to say that every single one of us were at our 0830 lectures and raring to go. The day was full of very well planned lectures and a lot of students were very complimentary of their tutors. We were then treated to a great law presentation by Tony Norton, FICS, which was followed by a presentation by Ms Oatway, FICS, on the effect newbuildings have had on the market.

Then came the final round of the team competition which involved the tutors leaving us on a sinking yacht in the middle of the Atlantic Ocean with only 15 items to survive; lucky for us we only had to list the 15 items in order of importance to survive. The game turned out to be an absolute hit with many students and after the points were tallied, we all made our way back to the main hall for prize giving and fines, which turned out to be rather entertaining! Some teams got points deducted for playing bad music, others for catching tutors on their phones but all in all it was very comical and created a great atmosphere among both the students and the Tutors. Then the networking started all over again...

Once again, the Sunday morning came far too early, not just for a few of us but rather all of us. As the ICS Prep weekend drew to an end and we took our group photos, you could see that everyone that attended had learn a lot and were far more confident about the upcoming exams. I can truly say that this weekend is far more valuable than given credit for and I would encourage every ICS student, whether you are doing Introduction to Shipping or Marine Insurance, to attend.

In closing and on behalf of all students that attended the ICS South Africa Prep weekend, I would like to thank Carol and all the tutors for their dedication and for giving up their time to help us prepare for our exams. You have all made this a very valuable and memorable weekend for all of us.

We look forward to next year! [SN](#)





Transform a life with Sailors' Society

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The Secret Broker

C'mon let's hug!

Goodbye 2014, hello 2015! Another year closes without too much genuine optimism for a recovery in shipping in 2015. Perennial concerns about over supply of tonnage pervade everyone's conversations. Chronically low dry cargo chartering freight rates continue but prospects for dirty tankers seem better. The BDI still registers well below 1,000, nearer to 500 in fact at the time of writing. Despite this, the 'old chestnut' that China will come to the rescue continues to be bandied about.

Falling iron ore inventories and the resumption of coal imports are hopeful signs for a first quarter recovery. By the time this issue lands on your desk, the Chinese New Year on February 19 may have proved to be the turning point. One big plus for the dry bulk trades is that Glencore is looking to resume Australian coal operations.

Meanwhile, there is much debate that the UK domestic economy will directly benefit from the lower petrol station forecourt prices caused by the collapse of the price of oil. On January 14, Brent crude was priced at \$46.00 per barrel; the hope is that if it goes below \$40.00 then a litre of regular petrol in the UK will drop to £1.00! Of course lower oil prices also affect marine transport, perhaps changing the 'slow steaming' modus operandi and making even more tonnage available. Catch 22 for tanker operators.

SPENDING SPREE

However, lower domestic petrol and diesel prices are seen to be possible fillips for consumers, creating more confidence and willingness to spend. In shipping we have always been aware of 'spurs' to local economies; payments for services rendered, either in cash or kind, have always been common and will probably never cease. Despite much voiced opposition and cries of moral objection they are mainly considered, within the industry, as required payments to enhance smooth operations. In their own way they provide accelerators in micro-economic terms. Is it really bribery, or is it just oil on the wheels?

Piracy has also become a virtual industry – think how many law firms in particular have benefitted. Whole departments of highly remunerated 'specialist' solicitors have been created to deal with the associated problems. The business is worth billions of dollars. If piracy was completely expunged there would be quite a few lawyers in tears, I assure you.

Likewise, the plethora of new regulations concerning emission

control areas, performance standards for protective coatings, ballast water treatment and so on, have all provided a fruitful bounty in legal fees.

PARTY SEASON

I digress. So, Christmas party time came and went. I was lucky enough to attend many excellent gatherings. Good food, drink and company (at least most of the time) always make an evening worthwhile. However, not all the parties over the Festive Season were so 'hail & hearty'. The idea of the 'one stop shop' at V Ships PLC was finally laid to rest upon the retirement of dry cargo chartering guru, George Latawiec. So ends the initiative created by the late Tony Crawford. George's retirement in December effectively led to the closure of the final element of commercial management at V Ships. Tanker Chartering and Sale & Purchase had disappeared long ago. Now the book keepers had decided that the Dry Cargo department would go the same way – so much for the 'complete service to owners' as envisaged by Tony.

Missing from the retirement party was, sadly, a previous colleague of George's, and a good friend of mine, Greg Bishop. On December 10, 2014 he died suddenly. Greg had only retired last year after close to 50 years of broking with long stints at Howard Houlder and V Ships, among others. His creative broking ability and his incisive wit were well known internationally and he will be greatly missed. I'm sure all who knew him will join me in sending our condolences to his family. Have a pint for me up there, Greg.

Back to the events. Now, when attending functions I'm always very happy to 'double kiss' female friends (even sometimes 'treble kiss' when required) but what is happening in the male to male environment? Whatever happened to "Hello, how are you?" accompanied by a firm handshake? Suddenly it's hugs all round! When did this become so 'de rigueur'? Who started it?

Avoid the hug and you'll get the same reaction that used to occur at lunch some years past if someone refused alcohol: "can we trust this guy?" Perhaps, as could be the case for V Ships and private equity, it's hug today, gone tomorrow? **SN**





the stern

HIT THE 'ROADIE', JACK

Just as Uber has overhauled the taxi industry and Airbnb the guest lodging sector, now the road freight trade is set for a shake-up with the arrival of Roadie.

Tagging itself as the first "neighbour-to-neighbour shipping network", Roadie is launching as an Uber-like marketplace for the road freight industry.

As the blurb says: "Simply put, Roadie is a faster, cheaper, friendlier way to get your goods, no matter its shape or size, from where it is to where it needs to be."

It all started with a broken tile: serial entrepreneur Marc Gorlin got a call from his tiler complaining about a broken tile that needed replacing before the refurbishment of his house in Florida could be

completed. Replacement tiles would take an extra three days to ship which would have cost another day of work.

This gave Gorlin the idea for Roadie. He realised that someone was likely making that trip from the tile source down to Florida and would probably be willing to pick up the tile for a bit of extra cash.

Roadie's starting up in eight US states initially and will expand as demand increases, but if Gorlin has the model right Roadie could go global in a short time frame.

What this will do to the inland freight transportation industry long term is anyone's guess, but see how the taxi industry has responded to the global roll out of Uber for a taste of things to come. [SN](#)

THROUGH THE LENS

It's not the image any ship owner wants to see: your multi-million dollar asset 'parked' on a sand bank off the UK with a 52 degree list. And let's not forget the cargo owners whose precious vehicles were unable to defy the laws of gravity and ended up in a mess of tangled panels.

But while the insurers busy themselves with unravelling the claims for the *Hoegh Osaka* casualty, we should also spare a thought for the pilot that took the undoubtedly tough decision to beach the ship rather than risk blocking the channel and cutting off Southampton port.

The UK Maritime Pilots' Association did indeed spare a thought and was quick off the block to make sure that everyone else did too, general public included. It issued a press statement just after the incident occurred praising the "quick thinking, decisions and actions of the Southampton port pilot" which saved the lives of the 25 crew members.

"The sound of safety is silence' yet in some quarters of the UK ports industry there is a misconception that because everything is going right then there must be no need to operate pilotage services at such high levels of expertise and training," said UKMPA chairman Don Cockrill, himself a professional pilot at the Port of London. "This conveniently overlooks that it is exactly because of the significant investment in pilotage operations that on a day to day basis UK pilots

safely conduct thousands of ship movements without high profile incident, dealing with the complexities as they arrive."

It's good to hear the drum being banged for the UK's often quiet maritime services industry. [SN](#)



Credit: Roger Moxley

The *Hoegh Osaka* was an unusual visitor to the Solent sandbank

SHIPPING SPEAK

“

"It's no coincidence that, especially in recent years, we have become a **daily target** for tempting proposals from third countries, both in the European Union and outside, to **relocate** there so that **their economies** could benefit from a strong maritime community," Union of Greek Shipowners president Theodore Veniamis warns the country's newly elected Syriza-led government to protect its shipping community

"Can the rise of the **third umpire** in shipping be considered as perhaps the industry's own subtle way of 'police-ing' the so called guardians of the shipping industry?" Eniram director of maritime, Melvin Mathews, asks if it's time for shipping to take a leaf out of the sports refereeing book with the introduction of a third umpire to regulate the impartiality of classification societies.

”



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