



SHIPPINGNetwork

The official magazine of the Institute of Chartered Shipbrokers

Promoting professionalism in the shipping industry worldwide

Issue 43 December 2015

Gods of the seas

Regulators rule the waves



European flag debate | Jones Act animosity | Class and flag relations | Supporting standards



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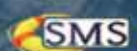



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Let's keep the shipping 'cowboys' at bay

Institute vice chairman **Theo Coliandris** explains why we should better value the industry's regulators



Theo Coliandris

They're nothing but a bunch of cowboys! is a phrase that we in the UK, regrettably, hear all too often with regard to shoddy workmanship, unscrupulous dealings or corrupt transactions.

But do we have 'cowboys' in the shipping world? In my view, we do not and the subjects covered within this edition of *Shipping Network* go a long way towards explaining how and why we are able to avoid being unfairly compromised in our day-to-day trading.

The first, and main, subject is that of the governing bodies that set the parameters within which those involved in the shipping industry must operate. I suspect that the services that these shipping industry 'regulators' provide are often overlooked and possibly not always fully appreciated. Indeed, I would go so far as to say that there is not a ship's agent alive who has not cursed their luck when a ship that they expected to turn around in two to three days is detained or arrested and remains within their port for possibly weeks.

"Putting aside the initial feeling that bureaucracy has intervened and inconvenienced you as an agent, you soon will appreciate why rules exist"

However, putting aside the initial feeling that bureaucracy has intervened and inconvenienced you as an agent, you soon will appreciate why these rules exist. Many brokers would have come across some ships that they would place within the 'doubtful' category. As the broker you soon learn that you have a responsibility to all parties that are involved within the common adventure that you are negotiating. Often as the middle man you find that the owner and charterer you are acting for do not know each other and you are being entrusted with a great responsibility to safeguard the interests of the cargo owner and/or the shipowner.

SALTWATER IN THE VEINS

The old fashioned adage of implied or specific warranties and conditions are too often overlooked, and the consequences can be grave. We all accept that seaworthiness, for example, is essential and those that ensure that ships remain fit for purpose are to be commended.

We must have all endured a rough sea crossing, most likely



The shipping industry's guardians keep cowboys at bay

on a ferry, a small craft or a luxury liner. It may be due to the saltwater running through my veins, inherited from many generations of sea-going ancestors, that I perversely get a little thrill from being thrown from side to side at sea as if upon a roller coaster. However there is always the underlying concern for my safety. The knowledge that the vessel will have had stringent checks, surveys and the rules that are applied by those that regulate her is at that time most assuring.

In these days of rising port and salary costs, fuel fluctuations and expensive maintenance there will undoubtedly be those who will be feeling the strain. However the threat of collisions, pollution and more importantly the likely loss of lives should far outweigh the temptation to operate outside the requirements.

As a closing note, it was my pleasure, and honour, to attend the Institute's annual international prize giving ceremony in London in October, which is extensively covered later in this edition. I had the opportunity to congratulate many of the successful students face to face, and all are to be commended for their achievements. The need to have proficient and suitably qualified shipbrokers is obvious to all. Dealing with another member anywhere in the world, and knowing the level of experience that your counterpart will have gained through their professional education is most reassuring.

Their local knowledge will normally be invaluable, but the experience they will have gained from a high level of tuition of the correct procedures, including the governance requirements, should be appreciated. Without a doubt, sensible, and correctly enforced, regulations and the need to be educated to understand them go hand in hand.

Theo Coliandris
Institute Vice Chairman **SN**

Credit: Elizabeth Haslam



Making and breaking rules

Over-regulated' and 'drowning in paperwork' are common complaints in the shipping sector, especially from those at sea. It's true we live in an increasingly ordered society and while some maritime regulations leave us scratching our collective heads about their practicality and their purpose, others play an important role in improving the safety, security and sustainability of shipping.

As service providers it's up to us to make sure that we get the message across that adherence to regulations doesn't need to be a check box affair; it can be embraced and incorporated into management plans and filtered down through the ranks.

The mighty IMO instigated its first-ever

public consultation on the administrative burdens associated with mandatory IMO conventions and codes, the results of which were published earlier this year. The review led to the publication of 12 recommendations, key to which was a greater emphasis on e-forms and documents.

Change, it appears, is coming and the hope is that this will allow the industry to better value those regulations that 'work' instead of lumping all rules into the same time-wasting basket. Wouldn't it be refreshing to be able to view regulations – and by association regulators – as facilitators, rather than detractors of global shipping trade? **SN**

Carly Fields, FICS

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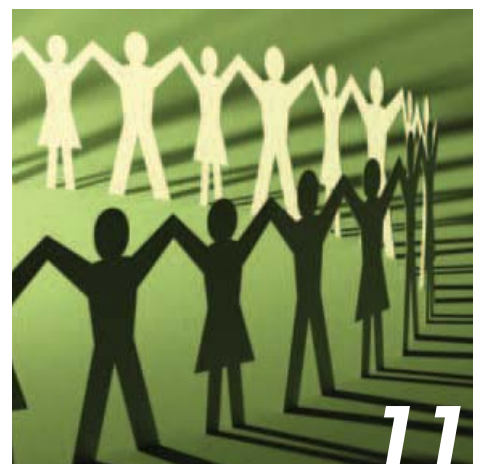
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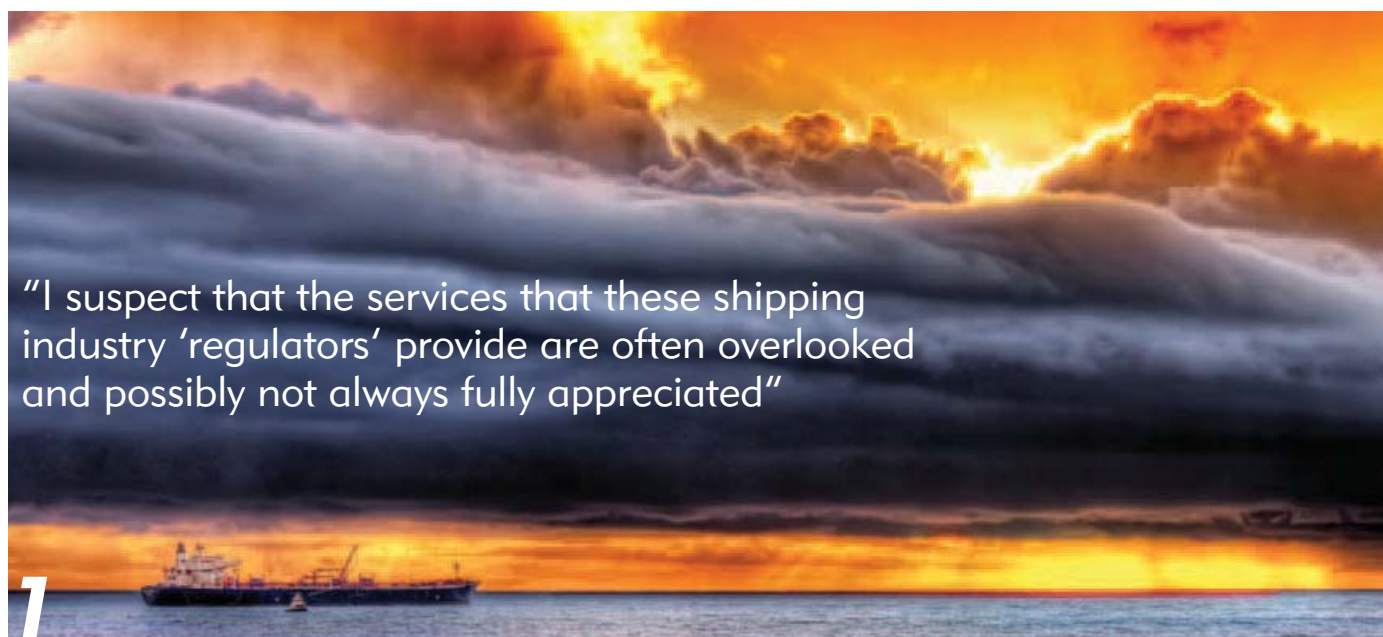
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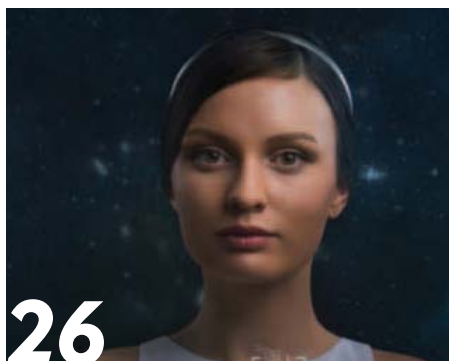


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All in the same European-flagged boat

Felicity Landon asks whether a single European flag would be an attraction or a detraction



Felicity Landon

European flag, anyone? There are, apparently, no half-mast responses to that question. It's an issue that prompts some considerable strength of feeling and some passionate responses.

"Who wouldn't love to be on a panel and get asked that question?" says Dick Welsh, director of the Isle of Man Ship Registry. "If I was on a panel and asked this, I would go on for hours!" His response, incidentally, was: "I think shipowners would run a mile", but more of that shortly.



Topic: Registers



Keywords: Flags, EU, nationality

Background: A Europe-wide ship register would bring benefits as well as suffering

Patrick Verhoeven, secretary general of the European Community Shipowners' Associations, says: "The idea of a single European flag/register emerged in 1991 under the name EUROS,



Would a European flag bring harmony or create chaos?

A question of legality



Tor Svensen

A European flag is not a realistic idea, according to Tor Svensen, group executive vice president of DNV GL Maritime.

"I think it would be unacceptable for the large European flags. I don't think it would work from a legal point of view because the whole framework around flags is based on national law," he says. "For any flag, that nation's laws apply – on labour, the environment, crime, etc. So what would be the legal structure? There is no European law that could replace national law on these issues."

It is also, says Mr Svensen, about having national pride. "Is there a true European identity? There isn't. We identify still with nations and national pride."

In any case, very often the flag is synonymous with the domestic fleet as well – "and you need competence to deal with that, so it would be strange if the national fleet was suddenly going under an EU flag," he says. "Also, there is the question of the IMO, which is organised of member states. How would you vote at the IMO? If the EU came in and demanded 28 votes, I am sure the US would demand 52."

He adds: "There is also the issue about not wearing too many hats. The EU is a regulator and also through EMSA has supervision of Recognised Organisations. If there was to be a flag in addition, they would wear all the hats themselves and I don't think that would be very smart. All the maritime nations would be very much against this idea because they have their own national law, national policy, and so many important factors that make them want to have their own flag." **SN**

but it never succeeded. The industry has always resisted it and so did member states. The Commission eventually withdrew its proposal and has no plans to revitalise it."

Nevertheless, the idea does do the rounds and such a concept might be seen as logical if Europe was to become more European. Or, of course, less logical in the reverse.

Marc Nuytemans believes that a single European flag with one set of tonnage tax and technical rules and a branch office run by each member state would make it easier for Europe to compete with non-European ship registers – but, he points out, such a project would be entirely dependent on 'moving more boldly forward' with the European project.

Capt Nuytemans, chief executive of Exmar Shipmanagement, has always been a big advocate of having a European register but says such a move would be impossible in the current EU framework.

"This debate is closely linked to what is going on in Europe right now," he says. "Do we want a United States of Europe? Or do we want to stick with what we have now, in which case a European flag is impossible. You can't discuss a European flag as long as Europe itself doesn't have social and fiscal union."

Such a flag would also not be possible in the current scenario where Europe puts in place a general policy through regulation, but the real implementation of that policy is still the turf of the member states, he says. "On the other hand, that point clashes with some of the ideas that are put forward under European policies – like, for example, the policy on tonnage tax."

He points out that under European law, member states are not allowed to compete on tonnage tax by charging less than another state, because it would be deemed unfair competition



"If it doesn't happen, I think that in the not-too-distant future, we will go to the complete globalisation of shipping and Europe will find itself overtaken by events where someone will offer a truly globalised service."

Capt. Marc Nuytemans

and not a level playing field. "Of course, that's ridiculous; there is a general European rule that you can apply as you choose but, in practice, the way you apply it can't be much better than the member state next door.

"It is now almost impossible even for specialists who have been immersed in tonnage tax regimes, like me, to figure out what is really in each and every tonnage tax system. One single flag would greatly benefit harmonisation."

HARMONISED SYSTEM

Before joining Exmar, Capt Nuytemans was managing director of the Royal Belgian Shipowners' Association, a role in which he spearheaded the revival of the Belgian flag.

He believes that if Europe wants to guarantee competitiveness for its shipowners, moving to a harmonised system where member states would not be competing against each other just to poach one or two ships would be a positive step forward.

"The outlook is that the real competition for European flagged ships is not within Europe – it is everything that is outside Europe. Europe could meet that competition if it had a harmonised system. At the moment, officially all the tonnage tax systems in Europe are all in line with each other. But in a lot of specific cases, this is absolutely not so. So they are not interchangeable.

"As a consequence, there is the potential of flag hopping from one member state to another – but to what avail or benefit? The real competition isn't between flags in Europe but with the Marshall Islands or Liberia."

Capt Nuytemans says he is confident that a single European flag will become reality eventually and says it would bring great

advantages to the economy. "If it doesn't happen, I think that in the not-too-distant future, we will go to the complete globalisation of shipping and Europe will find itself overtaken by events where someone will offer a truly globalised service."

It is, he says, all about the whole package that a flag has to offer. "Shipowners will go for the best performing register – in terms of administration, the ease with which you can cut through red tape, whether they have sufficient surveyors available to inspect your ships. People will just leave the national registers in Europe; they will go for the great performing international registers, and that will be Europe's loss. We need more Europe, not less," he says.

The Isle of Man register's Mr Welsh takes a totally different viewpoint, however. "One single European flag with the European Maritime Safety Agency in charge of it? I think shipowners would run a mile. Imagine the political influence and immovability of the EU; I think the intransigency of the whole thing would be a big nightmare for shipowners. Look at what the EU and EMSA do at the IMO, by trying to influence 28 member states. If there was just one big member state, I think the bureaucracy would kill it dead.

"Shipowners would be going to one single point of contact to try to get a decision, survey, certification – I doubt if they would even get an answer on the phone."

BETTER TOGETHER

A single European flag would skew the whole principles of working together, Mr Welsh believes: "The EU would be a law unto itself. The EU already makes decisions on climate change and other issues with insufficient technical back-up and without understanding shipowners. Added to which, they wouldn't provide what the Marshall Islands, for example, can provide; they wouldn't open offices in Hong Kong, the US, Singapore, etc. Ships are not Europe-centric – they are around the world, and they need 24-hour service around the world."

In addition, he says, the EU would be able to put in whatever rules it liked, imposing European restrictions unilaterally made and even possibly putting in cabotage rules.

"In terms of benefits, they might be able to offer tonnage tax – but owners are able to get this wherever they go. There could be a possible financial incentive but I imagine the bureaucracy seen in European Directives applied to one common entity would far outweigh the benefits. A European flag might also be able to make a much greater impact on reducing environmental impact – but the question would be whether there would be the take-up to be able to achieve that."

In conclusion, he says: "A single European flag would not be the carrot dangled to entice shipowners back from places like Singapore. If anything, it would strengthen the resolve of shipowners to stay in the Far East. Having said that, it is so far away from reality; but it is a great concept to debate!"

Paulo Salza, head of regulatory affairs at Italian classification society RINA Services, says that any initiative aimed at reducing the number of players involved in shipping would – in principle – be welcome, because it could be useful in terms of potential simplification and harmonisation. "However, we must also consider that there are local issues involved – i.e. the matter of responsibility.

"The flag state is ultimately responsible for the safety of the ship and pollution prevention, and it is also possible to develop rules through the IMO. So this is something which is

linked with the principles of the sovereignty of the flag state.

"I think a European flag would be very difficult to achieve because it would mean a drastic and complete change of the present regulatory and legal framework base on which flag states operate."

Of course, the possibility already exists at European level to harmonise procedures, says Mr Salza, "and I think the EC has always moved in this direction. For example, consider the requirements of the Marine Equipment Directive; there is a specific European

law which states there is a common regulatory framework and that a tool or product which is approved in one member state then must be accepted in the others.

"These measures are made to ensure free circulation of goods, to ensure a unified approach and to achieve simplification, so this is probably a way we can proceed. However, the creation of an individual European flag is something which would really require a change in the present framework." **SN**



"One single European flag with the European Maritime Safety Agency in charge of it? I think shipowners would run a mile. Imagine the political influence and immovability of the EU; I think the intransigency of the whole thing would be a big nightmare for shipowners..."
Dick Welsh

European flag 'a bit of a misnomer'

As Scott Bergeron, chief executive of LISCR, the Liberian registry's US-based manager, says, whether a European flag would be an attraction or detraction is largely a matter of perspective. But putting aside the question of whether Liberia might benefit from a flood of shipowners leaving Europe, he says: "I think the whole idea of a European flag is a bit of a misnomer, in that the strength of the EU – in my opinion – is in the strength of its members and the expertise of those members. Germany and Greece, for example, are two of the very large shipowning countries. Malta and Cyprus are two of the biggest ship registers.

"There are very strong but sometimes diametrically opposed flag states working inside the EU – and if you were to blend all this together, I think it would lead to a lot of unintended consequences. For example, there would be a lack of competition, which I think is generally bad for the shipping industry; competition is good.

"Also, looking at the Port State Control records of European flags,

there is a wide spread. So if the aim was to switch power and make common standards, the danger would be that everything would fall to the lowest common denominator; the European flag is only going to be as strong as its weakest member."

The EU does a reasonable job in setting expectations and certain standards, says Mr Bergeron. "But the EU also gives a wide degree of deferment to member states on how to interpret and enforce certain elements – for example, each country has its own rights when it comes to social security, and with a European flag you would have consider the Maritime Labour Convention, where you currently see very different standards given."

Finally, Mr Bergeron says: "If you consolidated all these very strong maritime nations within the EU, to operate one maritime administration under one umbrella, the next step would be to protect that one flag. Ultimately it would strangle the competitive forces within Europe."

SN



"If you consolidated all these very strong maritime nations within the EU, to operate one maritime administration under one umbrella, the next step would be to protect that one flag. Ultimately it would strangle the competitive forces within Europe."
Scott Bergeron

Jones' American dream divides opinions

Basil Karatzas explains why the US Jones Act is a cabotage market only some love to sail



Basil
Karatzas

The recent tragic sinking of the forty-year old containership *El Faro* at significant cost of life off the coast of the Bahamas, while on route to Puerto Rico from Florida, has brought the spotlight once again on the unique Jones Act cabotage industry. The facts and the cause of the shipwreck are presently the subject of several investigations, but the age, maintenance level and the economics of the trade have become hot talking points of many a debate in the industry.

Topic: Protectionism

I Keywords: Jones Act, closed market, cabotage

Background: A near-century old US legislation that grants privileges to US built, registered, crewed and owned ships sits uncomfortably with some modern day thinking

The US Merchant Marine Act of 1920, also known as the 'Jones Act', grants cabotage privileges in the US to vessels that are a) built and b) registered and crewed in the US, and c) owned by US citizens. The primary intent of the law has been for the US to maintain sufficient maritime expertise and know-how in the event of military action overseas.

Effectively, almost all countries in the world with a coastline have effected some version of cabotage laws, granting special privileges to vessels trading in their territorial waters. As such, there is 'nothing new' about the Jones Act market and the cabotage business in the US. However, the rules for a vessel to qualify under the Jones Act market are fairly strict with limited 'loopholes'. One can depend on self-monitoring and vocal resistance for players that may be trying to 'push the envelope', such as by having Jones

Act vessels converted, modified or repaired in shipyards overseas. A limited number of vessels can trade under the 'American flag' only, effectively a 'light' version of the Jones Act where US shipowners can buy foreign-built or bareboat-in foreign vessels, register and crew them in the US and have the right to charter the vessels to the US government (collectively, under "Cargo Preference" provisions).

CLOSER LOOK

Vessels flying the American Flag comprise the sixth largest registry worldwide, a substantial achievement given that the flag is ahead, in absolute numbers of vessels, of seafarer nations with strong maritime traditions and well-established commercial advantages, such as Liberia, Marshall Islands, Hong Kong and Greece. However, a closer look at the market reveals that more than 80% of the market is dominated by tugs and offshore assets, the latter primarily employed in the Gulf of Mexico for oil exploration and production. That means that there are only approximately 270 US-flagged vessels employed in international ocean-going trades, rendering the American Flag and Jones Act markets as negligible when viewed under an international prism.

As a matter of clarification, the commanding majority of vessels (96%) flying the American Flag are Jones Act vessels, meaning that they fully comply with the strictest letter of the law and they are built in the US.

If then the ocean-going capacity of the Jones Act market is a rounding error in the world of international shipping, why then should international players in shipping pay any attention to this cabotage business?

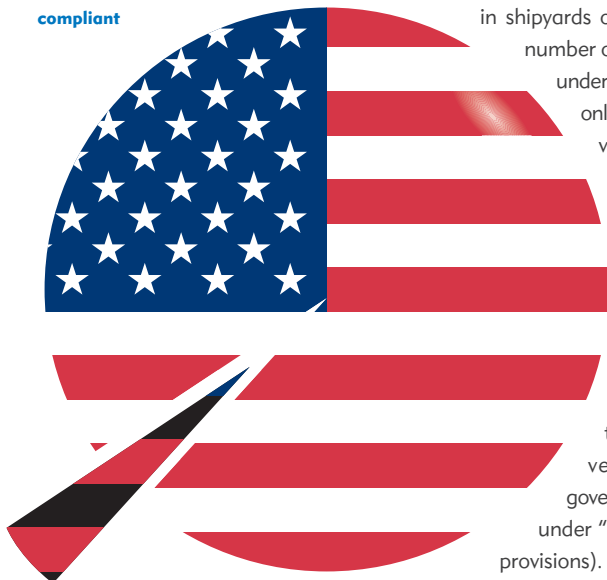
For starters, in the last couple of years, the Jones Act market has created headlines that have grabbed global attention. With the development of shale oil in North America, a 2012-built Jones Act tanker – *American Phoenix*, circa 50,000 dwt, built at BAE Systems in Mobile, AL – was sold late last year for \$155m with a three-plus year charter to oil majors for around \$60,000 pd, on average. By way of comparison, *Maxwell Bay* circa 50,000 dwt, built in 2012 at GSI, China was sold in the summer of 2015 for just \$30m, one-fifth of the value multiple of the Jones Act market.

Looking at the replacement cost, a US-built MR tanker stands at approximately 4.5x of the international benchmark. Jones Act vessels are expensive to build, maintain and crew, and generally they are maintained to a higher standard than those on the average international market.

Freight rates in the Jones Act market have been very strong given that this is a 'protected' market; the shale oil boom has caused the market to skyrocket with the noted case of the *American Phoenix* commanding an incredulous \$120,000 pd charter from a AAA-rated major oil company last year. However, in all fairness, the Jones Act is not always as strong: a vessel like *American Phoenix* historically commands closer to \$55,000 pd charter, but with \$25,000 pd vessel daily operating expense and a capex to match the asset value.

When the international tanker market was in pure survival mode at the tail end of 2014, the stratospheric rates of the Jones Act market attracted attention, envy and some jealousy. Foreign owners argue that the Jones Act market is not remotely cost competitive and a clear example of a protectionist market in a country that worships competition. Those may be fair arguments

96% of
American
flagged
vessels are
Jones Act
compliant



Top twenty ship registries

Rank	Registry	Vessels
1	Panama	8,170
2	Indonesia	7,780
3	Japan	5,300
4	China	4,040
5	Singapore	3,580
6	USA	3,550
7	Liberia	3,180
8	Marshall Islands	2,880
9	Russia	2,540
10	Hong Kong	2,500
11	Malta	2,050
12	South Korea	1,910
13	Vietnam	1,770
14	Malaysia	1,650
15	India	1,620
16	Bahamas	1,440
17	Philippines	1,430
18	Greece	1,400
19	Italy	1,390
20	Turkey	1,280

Source: Karatzas Marine Advisors & Co

when taken at face value; however, they do not necessarily hold water when one considers the national nature of the business. This is not directly comparable to the international market and the so-called open-registry environment.

ABSOLUTE VS COMPARATIVE

When the transport costs of the Jones Act market are compared to the transport costs of international shipping, then yes, the Jones Act is too expensive on absolute terms. However, when one evaluates the Jones Act within the national nature of the business, comparing the transport cost by sea to the transport cost by rail or pipeline, then the Jones Act market is competitive indeed. It's 20%-40% more expensive than pipeline, but that is compensated by the flexibility of movement by sea vs the one-dimensional movement by pipeline. Transport by rail is typically more expensive than by sea. Thus, when the cost of the Jones Act market is compared to the alternative modes of transportation for the market that it was designed for, then the Jones Act market is as competitive as the commercial and economic market place of the US allows.

A further argument in favour of the costs of the Jones Act market is that vessels in the open registry environment are taxed on the so-called tonnage tax system, which is proportional to the size but not the earnings of a vessel. In the Jones Act market, the shipowner is taxed at a corporate level based on income, which, when one includes certain tax subsidies such the Capital Construction Fund, the tax rate is 10%-20%, typically much higher than in the international market.

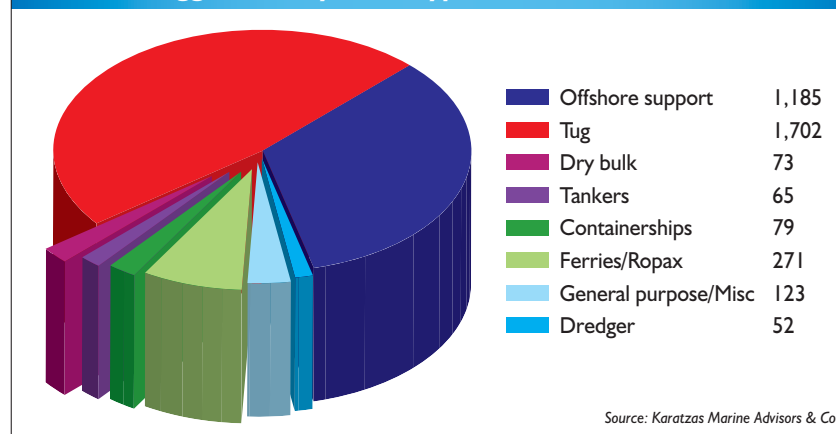
Industry body the American Maritime Partnership estimates that 500,000 Americans are directly employed

in the Jones Act market earning approximately \$30bn in labour compensation and contributing approximately \$95bn to the country's annual economic output. So while the cost of the Jones Act market is high when compared to international shipping, there has been a significant 'feedback loop' re-enforcement in the US economy.

That said, there are voices even in the US that favour abolishing the Jones Act market under the justification that lower transport costs through the utilisation of foreign flag vessels would greatly benefit the American consumer. This is possibly a fair argument, but mostly for those landlocked states that bear the increased costs but enjoy none of the benefits of the trade. Arizona's Republican Senator John McCain has been a vocal opponent of the law, but he has little to lose in the land-lubbing state of Arizona. For states along the coastal regions with shipbuilding capacity or seafaring tradition, the Jones Act market is almost religiously worshipped for the jobs that it supports and the local economic stimulus.

There are even people who actually go as far as to argue that the Jones Act market ought to be expanded in every possible way, for example mandating that exports of crude oil from the US have to be undertaken by US shipowners with Jones Act tonnage. However, that then pits the Jones Act market directly against international markets, a completely different denominator.

American flagged fleet by vessel type



Source: Karatzas Marine Advisors & Co

The sinking of the containership *El Faro* has caused some to say that the Jones Act market is overdue a shake-up, where lower newbuilding costs do not necessitate the continued trading of forty-year old vessels. Others see the sinking as just an accident due to operator error with no fault apportioned to it being a Jones Act ship. But whichever way you view it there is no doubt, once again, that the Jones Act market is in the spotlight, for better or for worse. **SN**

Basil M Karatzas is founder and chief executive of Karatzas Marine Advisors & Co, a ship brokerage and shipping finance advisory firm based in Manhattan, New York. Basil is also the managing partner of Karatzas Maritime Capital, an investment firm in the maritime industry. For more information go to www.karatzas.com.



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Strength in numbers or too many cooks?

What's the real relationship between classification societies and flag states, asks [Felicity Landon](#)



Felicity Landon

We need to avoid duplication; we need to make the most of the expertise available; we need to avoid splitting responsibility for safety certification between more parties, leading to confusion over professional responsibility; and we don't want to see flag state inspectors constantly flying around the globe while ships dawdle alongside, awaiting their expensive arrival.

The arguments are vociferous – and many – for retaining the status quo, where flags delegate survey and inspection work to classification societies as their Recognised Organisations. New regulations in the form of the RO Code and the IMO Instruments Implementation (III) Code are designed to make clear, and monitor, everyone's responsibilities in the chain.

Topic: Classification

1

Keywords: Recognised organisations, registers, partnerships

Background: Classification societies and registers argue that they have a clear distinction of responsibilities



Class societies and flag states have become strong partners

"The current arrangement works and does not need to be modified," says Philippe Boisson, communications director at Bureau Veritas Marine & Offshore Division. "Maritime safety has been improved, with a reduction of casualties and less class-related detentions by Port State Control worldwide.

"Flag states with limited resources and competencies are ill-equipped to assume their statutory obligations. The existing system, which encourages them to use IACS (International Association of Classification Societies) class societies as ROs to undertake the statutory responsibilities on their behalf, improves and enhances the competency of the inspections and the safety of the vessels concerned."

Mr Boisson says the suggestion that the lines between class and register are increasingly blurred "is not our perception".

"The class societies have a very clear and unambiguous mission – to develop and impose technical standards for the protection of life, property and the environment," he says. "The societies have a moral and financial incentive to maintain, and continuously improve, their high standards if they are to undertake their activities as trusted, independent arbiters of safety standards, working for the benefit of all the stakeholders in the maritime transport community, including the flag states and the public at large."

ALL FOR ONE

The holistic approach to the safety of the ship requires that one organisation assumes the responsibility for verifying compliance with both statutory and class requirements, says Mr Boisson: "A key lesson learnt from comparable experience in other regulated

industries is that inspection/verification should be executed by as few parties as possible. That experience has shown that such an approach reduces unnecessary interfaces that may introduce points of weakness and possible breakdowns in the system."

The lines between the flag administration and ROs are clearly defined by the IMO's RO Code, which entered into force on January 1 this year, he adds. "This Code provides flag states with harmonised, transparent and independent mechanisms, which can assist in the consistent oversight of ROs in an efficient and effective manner and clarifies the responsibilities of organisations authorised as ROs for a flag state and the overall scope of authorisation."

What we should avoid, says Paulo Salza, head of regulatory affairs at RINA Services, is duplication; and, he warns, complete separation of classification and flag states would mean duplication of what are very considerable networks and activities.

"We must also consider that classification societies have very wide experience on all kinds of ships – probably wider than any individual ship register could have, and of course that is reflected in the rules and regulations and in the training that we provide to our surveyors. This is a mechanism that is well established, and working well, and the relationship is governed by specific tools, regulations and directives."

Mr Salza says what's really important is that the flag states are in control – i.e. monitoring and auditing what the RO is doing on their behalf. "Our present relationship with European flag states is exactly that. We exchange a lot of information; we have a duty to provide information on the ship we survey on their behalf and we are audited by them.

"In addition, there is also the mechanism of control carried out by the EC, through EMSA. This kind of relationship and



Tor Svensen, DNV GL: "What I would like to see is some more work to expand reporting and proper mandatory accident investigations. I don't think we have come as far as we could there and that is an area where I would like to see more consistency. It is very important that we learn [from accidents] and it is very important that a flag undertakes proper accident investigations – and it isn't always done. We can't take over from them on that role and it is something they should execute thoroughly."

John Ramage, IRI/Marshall Islands: "You shouldn't combine class and flag because we do different things; we represent the country and we are signatories to the Conventions. Class does statutory work on our behalf but they are not signatories to the Conventions – they are enforcing them at our request."



Philippe Boisson, BV: "Splitting the safety certification between more parties may confuse the issues of professional responsibility (and consequent liability). That would be detrimental to safety."

exchange of information is also in place for non-EU flags – we are audited by them too. And this is also regulated under the IMO. And, of course, we have another powerful mechanism – Port State Control, to monitor the performance of the RO."

We must not forget, says Mr Salza, that shipping has become more and more international over the past few years. "Classification societies, due to the fact that they have been working for several flag states, have developed networks worldwide and these networks are at the disposal of the flag states. It would not be possible today to operate without this system. Option one would be that the flag states develop their own networks; option two would be that if they are not ready to develop a network, flag state inspectors would have to travel to follow the ships. That's not feasible and would have a very negative impact on the efficiency of shipping."

QUID PRO QUO

This is a symbiotic relationship, says Bill Gallagher, IRI, president of the US-based manager of the Marshall Islands Registry, the world's third largest flag.

"Flag depends on class and class depends on flag," he says. "Flags really don't have the expertise in-house to handle the issues that class does on their behalf. Classification societies literally have thousands of employees. The Marshall Islands is the third largest registry – but we have just 360 employees in 27 offices, with technical and marine safety expertise, etc., in our major offices such as London, Piraeus and Hong Kong. In this regulatory world that we are living in, flag states need class."

He does not agree that more separate entities are needed, nor that the two entities could be combined into one: "We have our lines drawn. We have to oversee class on what they do on our behalf, and we have our own safety inspections. We make sure of what happens and there is a lot of communication. We are separate entities but we can't divorce ourselves from the standpoint of marine safety and technical issues."

John Ramage, IRI's chief operating officer, says: "At the end of the day, if we authorise class to do statutory work on our behalf, we still have the responsibility. And any responsible flag has to recognise that."

Having expertise in every type of speciality vessel around the world – for example, highly technical offshore drilling units – would be beyond any single flag state's capability, he says. "Class has built up that expertise over hundreds of years – and, if you like, we are taking advantage of that expertise. But the roles are very distinct and a reputable flag like ourselves takes responsibility and is overseeing class and making sure they are doing their job properly."

The system also requires a good level of technical knowledge on the flag side, he says. "The better we are on the technical side, then the better interaction we can have. We deal with class every single day and also interact with various surveyors on a daily basis."

As to the question of the commercial work undertaken by classification, Mr Ramage says: "I think there is this black cloud hanging over classification societies. People say it can't be correct because they do so many different jobs. But class has been doing this for hundreds of years; they are extremely professional and extremely well qualified. The amount of money they put into training their staff and into research is tremendous. They are audited up to their eyeballs and they work in quite clearly defined areas. From our perspective, I think the rules are quite distinct."

However, Scott Bergeron, chief executive of LISCR, the US-based manager of the Liberian Registry – the world's second largest flag – takes a different view. His concern is the blurring of lines between classification's statutory work and commercial/consultancy work.

"What I have seen more recently is the evolution of the class model to become more commercial and profit-driven," he says. He fears that mergers and potential public listings of classification societies are also undermining the traditional not-

for-profit model of serving the insurance community. "I see in certain members in particular – but definitely collectively – a drift away from the traditional model," he says. "Underwriters are relying on class to state the true condition of a vessel; similarly, flag states are expecting class to enforce statutory rules that the flag state has signed up for. As class is taking an increasingly competitive and commercial posture, I start to wonder if the focus is being shifted away from the traditional role of what a classification society is supposed to do."

COMMERCIAL QUESTION

That's a suggestion rejected by Tor Svensen, group executive vice president of DNV GL Maritime. "The question about the commercial work of class comes up quite often and it is necessary that class operates in a way that we never approve our own work; that is important and we have very clear rules on that," he says. "We can offer consultancy on optimisation, etc., but we can't do work that we are later going to approve under our RO hat."

"Yes, we are doing commercial work and advisory work and RO work, but we always make sure we retain integrity, which means not wearing two hats at the same time. Each staff member here knows very well this is part of the trust and integrity of class that goes back a long time; the separation of classification's roles is very important."

Both IRI (Marshall Islands) and LISCR (Liberia) emphasise that they hold very significant regular meetings with the IACS members they have authorised, when key items are discussed and performances are reviewed. "We audit each of our classification societies with our own people and from that we know what to follow up," says Mr Bergeron.

"We ensure that the procedures across their survey network enforce the flag-specific issues we are looking for. We follow up unannounced where there have been problems."

"I still feel strongly that the industry needs strong, competent classification societies; they are the technical knowhow powerhouse, for sure. The amount of research and development they do is extraordinary

and necessary for the industry. However, there has to be a balance. If a flag state is unable to have its own technical competence and relies completely on class, it really needs to rethink its position."

He agrees that the RO Code is vital, and so is the IMO's switch from voluntary Member State Audits to mandatory under the III Code: "That is where IMO auditors need to stick to their guns."

DNV GL Maritime's Mr Svensen also says it's very important that a flag has a level of competence to execute its role – because it needs to monitor its ROs and also because there are certain things that flag can't delegate, such as giving exemptions to SOLAS: "That can't be delegated – they have to do that themselves. Also, for us as class it is much better and easier to work with a competent flag that works smoothly. Having said that, we also have to find a way of working with those who don't have many technical resources, and they rely even more on us."

SN



"Flag depends on class and class depends on flag..."
Bill Gallagher



Classification societies have vast networks, allowing flag states to operate much more efficiently

Taking advantage of an established network

Almost every flag has entirely devolved its statutory surveying to class societies – and with good reason, says Dick Welsh, director of the Isle of Man Ship Registry.

"First, classification societies have offices and surveyors around the world; and ships are no longer just Hamburg or London-centric. Second, when I first came into this organisation (Isle of Man), we were doing our own Marpol, SOLAS, etc., and class was doing the rest. But there could be the possibility of falling between stools where we haven't looked at it and they haven't looked at it. We are going to stop doing that, because classification societies are better placed to do these inspections. So we can devolve the survey – but what we would not devolve is our responsibility. Flag states will always be responsible for safety of life at sea, marine pollution, etc., but they

have someone else looking at it on their behalf. I believe that is the right way to go."

The RO Code and III Code both set out very clearly what flag states must do to monitor their ROs, says Mr Welsh. "These codes basically say: we know class are doing everything technical, but what are you doing as the flag state to make sure you are honouring your obligations? I think that is the perfect balance. Moving to the mandatory audit under the III Code means we will be monitored internationally as a flag state, and we will monitor the classification societies."

"Class has all the technical expertise; but, that said, we need to retain a good balance of expertise in the flag state, which not all flags do. Because how can we tell if class are doing the right thing if we don't know what they are doing?" **SN**

It's a tough job, but somebody's got to do it

The [Revd Ken Peters](#) calls for industry to support rather than spur regulators



**Revd Ken
Peters**

Regulators are in an invidious position having to ensure that the shipping industry is properly ordered, taking account all of the mandatory international instruments of governance, while enabling shipping to deliver international trade in the most efficient and effective manner the world has come to expect and takes for granted.

It sometimes seems that regulation and efficiency are mutually exclusive, especially when witnessing the process leading to adoption, ratification and implementation of standards. Often enabling a seamless globalised logistics chain from farm or factory gate to supermarket shelf requires unified standards across the supply elements.

Shipping, not being confined within any one territorial sea, has to comply with trans-jurisdictional issues. Two possibilities present themselves for the regulation of the voyage: either the vessel becomes subject to a multiplicity of unilateral rules, regulated by individual nation states or there is acceptance of international standards. Through the UN system, under the auspices of the IMO and the ILO, the shipping industry has avoided the chaos of the unilateral system in favour of international minimum standards, regulated globally, applied uniformly and designed to minimise disruption to efficiency and effectiveness.



Regulators can be a useful partner

It is only in the implementation and enforcement of the regulations do we see if the theory of problem solving was correct and that the principle of 'unintended consequences' has not brought significant complications. It is clear however that changes in quick succession to the original implementation bring some difficulties to compound the practical working out of the standards.

NEED FOR STABILITY

Regulators need an environment of stability within which to develop response systems to deal with any non-compliance. Shipowners need the same stable background within which to ensure business continuity. Seafarers need the certainty of knowing what their rights are and what the remedies are for any infringement of their rights. Those who represent seafarers within unionism need certainty in their approach to upholding their rights. All those who care for their well-being, those who are trusted by seafarers, need the certainty of a system that is tried, tested and proved to ensure that welfare needs are addressed as quickly as possible with sensible resolution of any exploitation and abuse.

Stability is needed by all in the industry including those who fix cargoes. Cargo owners need to know that their chosen charter is relatively risk free. The possession of a document of Maritime Labour Compliance is a significant help to mitigate risk and in this context risk assessment and reduction. With the ever shifting basis of compliance, regulators are often faced with justifying their stance.

Of course there have been 'grace periods' designed to prepare all those who have responsibilities under law for

Topic: Regulation

I Keywords: safety, IMO, rules

Background: The industry's much-maligned regulators need support to see through tough but necessary changes

However, there is a criticism that shipping has been subjected to such a plethora of new conventions, both through the updating of older standards and the introduction of new protocol, that what the industry needs is no more regulation but proper implementation and policing of existing instruments. While this may indeed be a proper view, it continues to keep the regulators in the 'cross hairs' of expectations. While tasked with implementing standards, regulators have to deal with the practical fallout of new regulations; while implementing, regulators have to cope with an ever shifting scene.

For example, very soon after the entry into force of the Maritime Labour Convention 2006 the first set of amendments was proposed. Under the tacit amendment procedure changes were able to be proposed and accepted, in this case to the regulations surrounding repatriation. Rather than having to go through the explicit amendment procedure, the usual mechanism for amending conventions, which can take years in bringing to fruition, changes can be made quickly in response to the circumstances that have arisen only after the implementation of the convention.

unequivocal compliance. Getting used to new systems and structures is key to the general acceptance of the new regulations and the positive adoption of the new standards. Proactive compliance is far more effective than having to cope with reticence and a 'begrudging' attitude towards adoption.

Often regulators are met with a curmudgeonly attitude that is not conducive to ensuring quality standards. There is, I believe, a qualitative difference between standards that are adopted in order to comply with legislation and those that are adopted simply because they are recognised and accepted as improvements. Implementation because of compliance as a minimum standard is valid and while this is in sync with the UN system there is an infectious 'quality' when regulators recognise the innate value.

Some flag state administrations are well ahead of others in acknowledging that regulators are often in the firing line when it comes to implementing standards. Essential to the understanding of and uniform implementation is the education and training of all involved. Such is the complexity of international conventions that it cannot be assumed that new instruments are simply incremental changes.

The last decade has shown that new conventions are often innovative and radical. The ISPS code as a response to the security concerns raised by 9/11 was a quantum change to regulations both in terms of style and substance. The ISM code revolutionised the way in which safety management systems are organised. Neither of these conventions could be described as incremental developments.

The regulators faced with the enormous challenges of implementing new systems, have the initial job of 'selling' the new system to those who are sceptical, resistant or simply need to be convinced. Legislating for new regimes is usual but to legislate for attitudes and beliefs is, well, nigh impossible. Even before implementation, regulators must be convinced that the new standards are clearly understood by those that are subject to their regulations.

INDUSTRY SUPPORT

'Buy in' from the industry is essential if the regulations are to be embraced with enthusiasm. Reticence only leads to extended periods of non-compliance. If there is non-compliance it is the industry reputation that suffers. Reputational risk translates into lax attitudes and regaining a quality reputation becomes illusive. A regulator confronted by scepticism has a more difficult job in convincing those who must comply to adopt quickly and effectively any new changes to regulations.

The shipping industry is arguably very conservative. While it adapts to changes in shipping patterns and adopts new technology with regularity, it is less inclined to change the well tried and tested basis of living and working conditions of seafarers. This is the area that is less well understood by the industry and is the area that is thought to be more prone to subjective judgements.

Traditionally welfare concerns for the crew have resided in less than objective scrutiny. The ILO convention 147 or Convention 168 with the attendant recommendations of 178 experienced the difficulty of less than enthusiastic acknowledgement. Indeed, it may be said that it was the failure of previous conventions to properly uphold seafarers' living and working conditions that led to the necessity for the creation of the Maritime Labour Convention. This is perhaps the most difficult task of regulators, to explain why it is that the shipping industry had to resort to legislation to ensure decent living and working conditions for seafarers.

This is the case with all areas of shipping governance: regulators have the unenviable task of putting into effect the desire to improve standards, to resist the fragmentation of legislation, to create a unified system of global quality management. In this way no one company is disadvantaged. Each can gain and maintain competitive advantage and not be undercut by substandard operators. The so called 'level playing field' is created, enabled and maintained by regulators implementing uniformly and transnationally in a way that facilitates shipping.

It is not the intention of regulators to restrain trade, or to hold back progress but to generate a climate of competition. What is the 'end game' for regulators? It is to ensure that the term that the industry has lived with for so many decades, the infamous FOC is transformed from 'Flag of Convenience' to 'Flag of Compliance'. This is a laudable aim in the best interests of all in the industry. With the aid of the regulators, international shipping will thrive in its function of growing international trade upon the foundation of quality standards and quality management practices. The shipping industry, if it fails to support the much maligned regulators, will not be able to meet the challenges of progress. **SN**

The Revd. Canon Ken Peters is director of Justice & Public Affairs at the Mission to Seafarers. For more information, go to www.missiontoseafarers.org.

"The shipping industry, if it fails to support the much maligned regulators, will not be able to meet the challenges of progress"



Regulators need to be embraced with enthusiasm



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Time to rock that boat

Alex Wallace investigates whether there should be a place for seafarers at the IMO's table



Alex Wallace

They are referred to as the hidden workforce of shipping, the unseen and all-too-often unappreciated toilers that make world trade happen. That seafarers don't have a loud enough voice on the global maritime stage has been noted by many, but a call from a well-respected ship register executive hopes to rock that boat.

International Registries Inc/Marshall Islands' Clay Maitland took to the podium at London International Shipping Week 2015's Big Maritime Welfare Debate to urge the IMO to establish a committee focusing on seafarers' welfare.

Topic: Seafarers

i Keywords: committee, welfare, responsibility

Background: Welfare and humanitarian organisations are the de facto mouthpiece for shipping's forgotten workforce, but should that be the case?

Mr Maitland said: "The IMO says that they do not have a responsibility for seafarers as that rests with the International Labour Organisation...but I believe everyone would benefit if they did." He proposed that this committee should have within its remit the creation of an accessible database of health (including mental health) information, training, competence and quality of life issues (which Mr Maitland believes should include internet connectivity), data on the incidence of personal injuries and death and their causes, and flag state and compliance matters.

For the IMO to begin considering establishing the committee that Mr Maitland envisages, it must receive a formal proposal from an IMO Member State. The formal proposal should include,

among other things, detailed objectives including an analysis of its benefits and costs; a relevant IMO body can then discuss the proposal.

While the IMO's Sub-Committee on Human Element, Training and Watchkeeping (HTW) would appear to be the natural forum to discuss any proposal, the IMO said to *Shipping Network* that "it would probably need to be an ILO/IMO Joint Working Group which would report to both the IMO Maritime Safety Committee (MSC) and the ILO Governing Body" in this case. In fact, the IMO has suggested that the formal proposal from a Member State should be made to both the MSC and the ILO Governing Body.

EXISTING OPTIONS

There are already a number of existing organisations that deal with the welfare and humanitarian aspects of seafarer life, including the International Seafarers Welfare and Assistance Network, the Maritime Piracy Humanitarian Response Programme (now under ISWAN's wing), and the many members of the International Christian Maritime Association. Are they doing enough to spread their message to the more influential bodies within the wider maritime community?

Andy Winbow, recently retired assistant secretary-general and director of the maritime safety division at the IMO, recently became an ISWAN Trustee. He sees ISWAN as an organisation that focuses on the wellbeing of the seafarer, and feels that it has the potential to engage more organisations, maritime companies and individuals in its aim to improve the welfare of ships' crews. One response to Mr Maitland's plea could be to nurture and expand existing mechanisms within the maritime community rather than establish yet another committee to discuss the same welfare, training and quality of life matters that are already on the agendas of many existing organisations.

Mr Maitland said that the UK government was in a prime position to propose that the IMO take on responsibility for seafarers and create a permanent committee at the IMO, adding that "governments do not tend to advocate for seafarers' rights as no one wants to really rock the boat". Maybe now is the time for an organisation, government or individual with influence to do the rocking.

If Mr Maitland's aim of a global 'institutional mechanism' to support mariners is to be realised and vital information and assistance is to reach, and be accessible to, seafarers, Mr Maitland's proposal will need to reach the IMO's agenda. But at the time of writing, the International Maritime Organization told SN that it has yet to receive a formal proposal from any IMO Member State, including the UK and the Marshall Islands. **SN** Alex Wallace is former programme manager at Maritime Piracy Humanitarian Response Programme.



Mr Maitland believes everyone would benefit if seafarer welfare was the focus of a new IMO committee

UK shake-up leaves 'non-doms' in limbo

Gill Smith discusses changes to the taxation of non-domiciled individuals and their effect on shipping



Gill Smith

The UK government has recently announced a number of changes to the taxation of individuals who are resident in the UK for tax purposes but who are domiciled elsewhere, known more commonly as non-doms. The proposed changes do not come into effect until April 6, 2017, but individuals operating in the shipping industry who are likely to be affected should start considering them now.

There are changes to the way some non-doms will be taxed. Long-term residents will be treated as UK-domiciled for income tax and capital gains tax (CGT) purposes as well as for inheritance tax (IHT); and individuals born in the UK with a UK domicile of origin, and who have acquired a domicile of choice elsewhere, will be treated as UK-domiciled for any periods for which they are resident in the UK. The government has issued a consultation document in respect of these changes.

● Topic: Non-domicile

I Keywords: residency, taxation, relief

Background: Changes to UK non-domicile terms coming in in 2017 looks set to fundamentally alter the nation's shipping residency scene

Another change, also to be effective from April 6, 2017, is that a non-UK company will no longer shield a UK residential property from exposure to IHT. This change also impacts non-doms as they, or offshore structures to which they are connected, often hold properties this way. A consultation document on these changes is due later this year, but had not been published at the time of writing.



Tax changes in the UK could lead to a location change for some

capital gains will be taxed, and their worldwide estate will be in the scope of IHT (there is currently a deeming provision for IHT only which takes effect from the seventeenth year of residence).

Individuals caught by this rule who leave the UK and are non-resident for six or more tax years will lose their deemed UK domicile and, on return to the UK, will be able to claim non-domiciled status for another 15 years (assuming they do not acquire an actual UK domicile).

"...under the new proposals, with effect from April 6, 2017, any individual who has been resident in the UK for tax purposes for at least 15 of the past 20 tax years will be deemed to be domiciled in the UK for tax purposes..."

Currently, non-domiciled individuals can generally elect to be taxed on their overseas income and capital gains by reference to the amounts remitted to the UK (the 'remittance basis'). But under the new proposals, with effect from April 6, 2017, any individual who has been resident in the UK for tax purposes for at least 15 of the past 20 tax years will be deemed to be domiciled in the UK for tax purposes. This means that, from their sixteenth year of residence, their worldwide income and

There are a number of issues flowing from this change:

- the recently introduced £90,000 remittance basis charge, which applies to individuals who have been UK-resident for 17 out of the last 20 tax years, will no longer be relevant;
- if individuals deemed to be domiciled in the UK under the 15-year rule cease to be UK-resident, they will continue to be deemed domiciled for six years following the cessation of UK residence. For income tax and CGT, this is only relevant if they resume residence in the UK. However, for IHT it means that they will remain within the scope of the charge for their worldwide estate during this period;
- although the rules are effective from April 6, 2017, individuals becoming non-resident before this date will nevertheless need to be non-resident for six years to 'restart their clock'.

TRUSTING IN TRUSTS

The proposals also state that the government is “continuing to consider” the treatment of trusts that have been set up by non-domiciled individuals before they become deemed domiciled. However, it appears that the government does not intend to tax settlors in these circumstances in the same way as settlors who are actually UK-domiciled where the income and capital gains of the trust are normally treated as theirs. Instead, it proposes that an individual who becomes deemed domiciled under the 15-year rule should be taxable only on benefits actually received from an overseas trust (whether the benefit is received in the UK or overseas). UK source income will, however, be taxed on the settlor as it arises.

The government is considering whether to apply this new regime to all non-domiciled persons resident in the UK, rather than only those who become deemed domiciled. If it decided to do so, an individual who was not yet deemed domiciled would be taxable only on benefits remitted to the UK (assuming a remittance-basis election was made).

The treatment of offshore trusts is a key concern for many non-doms, and the lack of detail in this area is particularly frustrating. It is noticeable that the consultation poses no specific questions in this area.

Offshore trusts that have been set up by an individual domiciled outside the UK will broadly remain outside the scope of IHT, even after that individual acquires deemed UK domicile under the 15-year rule. This is essentially the current position but it is encouraging that this is being maintained. However, the changes concerning UK residential property mean that any offshore structure holding such an asset will be within the scope of IHT.

The rules do not come into effect until April 6, 2017 and it is the government’s intention that the legislation will be available well ahead of this date. There should be time to take action before the changes come into force, but individuals can start preparing now. This includes reviewing their years of residence to determine whether they will be deemed domiciled from 6 April 2017, establishing their tax liability should they be subject to worldwide taxation, considering whether assets sitting at a gain can be rebased, and whether they should receive distributions from offshore trusts or companies ahead of April 2017. In addition, they should consider settling trusts if they are not yet deemed domiciled for IHT purposes.

MOVING PARTS

Individuals born in the UK with a UK domicile of origin may subsequently acquire a domicile of choice outside the UK if they move to another country and make it their permanent home. Under the proposed rules, if such individuals return to the UK, they will be deemed to be UK-domiciled while they are resident for tax purposes in the UK. Therefore, their worldwide income and

capital gains will be taxed, and their worldwide estate will be in the scope of IHT. Furthermore, during that time, the income or gains of an overseas trust that they have set up will be liable to tax in the same way as they would be in the case of an individual actually domiciled in the UK.

Additionally, the trust assets will be within the scope of IHT for as long as the settlor’s deemed domiciled status continues. This could lead to some severe consequences for the limited number of individuals in this category.

The government has also said that, with effect from April 6, 2017, all UK residential property will be within the scope of IHT. So offshore companies currently used to shield such properties from the tax will effectively become transparent. There is no de minimus limit or reliefs envisaged and so commercially let residential property will be caught.

This change will impact trusts and individuals, including non-residents, holding property in this way. For individuals, the charge will be on death, but most trusts will have a charge at each tenth anniversary of the trust’s creation, at a maximum of 6% of the property’s value as at that date.

Whilst much of the detail remains outstanding, non-doms, and the offshore structures connected to them, face significant changes at April 6, 2017. It will be important for individuals to keep abreast of developments, know how they will be affected and what action can be taken ahead of time to minimise the impact. **SN**

Gill Smith is a tax partner at Moore Stephens in London. For more information go to www.moorestephens.co.uk.

Offshore trusts remain outside the scope of inheritance tax



Be safe – take a pilot



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Finding the right slot for the safety bar

Andrew Lansdale asks if slipping seafaring standards are still fit for purpose



Andrew Lansdale

As the old jazz standard says, 'things ain't what they used to be' and nowhere is this more true than the qualifications seafarers are required to gain in order to proceed up the promotion ladder. There has arguably been a simplification of some parts of a seafaring career over the last few decades.

One seafarer who proceeded from cadet to master and then to pilot gave his opinion to *Shipping Network*: "What I see today is horrifying. The basics of watchkeeping, which can be as simple as looking out the bridge-front windows, are no more. Everything is interpreted by looking into a radar set. I never see anyone taking compass errors or compass bearings; in most cases the wing repeaters have a permanent canvas cover on them."

Topic: Qualifications

Keywords: seafarers, training, safety

Background: Training for seafarers is less robust than it used to be potentially putting ships, crews and cargoes in danger

The bar has been lowered for examinations; pass-marks for Class 1, 2 and 3 certificates of competency – what used to be called Master's, Mate's and Second Mate's Certificates – have been reduced.

In the past, navigators were expected to be right more than 50% of the time. In parts of the syllabus, subjects such as practical navigation, principles of navigation and stability attracted a pass-mark of 70%. Other subjects such as shipmaster's business, compass correction, meteorology and English were deemed less important and the pass-mark was 50%. The caveat was that the overall average had to be 70% or more. So a candidate could achieve the basic individual pass-mark for each subject but actually fail written exams for not achieving the overall 70% average.

A former examiner for the UK's Maritime and Coastguard Agency told SN that the chief mate's navigation pass-mark is set at **65%**, while chief mate's stability is **60%**. Worryingly, this implies an acceptability that a navigator could be wrong in **35%** of his decisions and a chief mate in error in **40%** of his stability calculations for loading and discharging operations

A former examiner for the UK's Maritime and Coastguard Agency told SN that the chief mate's navigation pass-mark is set at 65%, while chief mate's stability is 60%. Worryingly, this implies an acceptability that a navigator could be wrong in 35% of his decisions and a chief mate in error in 40% of his stability calculations for loading and discharging operations.

In one country, the current qualification process appears to be steep at first, but then flattens to a gentle slope. Examination candidates for Class 3 seagoing certificates require a 70% pass-mark for navigation, 60% for watchkeeping and meteorology and 50% for general ship knowledge. For Class 2, navigation,

The challenges of setting seafarer standards

The IMO, which produced the STCW Code, or to give it its full title, The International Convention on Standards of Training and Certification and Watchkeeping for Seafarers, was supported by more than 130 countries which signed up to the code. Under the convention, all seafarers need to meet minimum standards of competency. These standards are set by each national Administration, but as a minimum, they should reflect STCW standards.

The IMO has been accused of setting the bar too low, so the lowest common denominator is a measure of competency.

But in fairness, the IMO has a problem. Seafarers issued with certificates from one state, country X, need their documents endorsed by the flag state of the ship in which they intend to serve, country Y. This means that Y needs to approve the training programmes of X. And most states do not have the resources to do this, even for one foreign country, let alone several. Administrations also do not have the resources to continually monitor training programmes abroad to see if their standards have been maintained or have slipped.

SN

passage planning and shipboard operations have fallen to 60% and ship technology, commerce and law to 50%. And here the slope becomes flat. For a Class 1 or Master's certificate, there is just an oral and practical exam.

With modern communication, more and more tasks are taken out of the ship's hands and handled by the office. Therefore the more experienced seagoing staff are enticed ashore into ship management. This results in the age-profile of ship's masters becoming ever younger.

But if we believe that correct and safe decisions come after years of experience, are we compromising the future if we allow the experience pool to become so diluted that vital decisions do not have an element of experience fed into them?

Shipbuilders now fit plenty of electronic marine devices into the bridge of a ship. Electronic charts promise to obviate the need for chart corrections, while 3cm and 10cm radars claim to give the watchkeeper an accurate view of what is going on in the world outside the wheelhouse. But there are plenty of cautionary tales here. One retired master told *SN* that a third mate altered course for what he thought was a fishing boat but was in fact an out-of-order racon (radar beacon) and only narrowly avoided putting the ship aground.

There is a misconception that these instruments have now replaced the need to learn the principles of safely trading a sea-going vessel. Younger second and third mates are great whizz-kids with computers and with pressing buttons on electronic charts and GPS units, but the fundamentals can be lacking.

DEVIL IN THE DETAIL

In the early hours of September 18, 2013, the 10,000-dwt chemical tanker, *Ovit* ran aground on the Varne Bank in the English Channel on passage from Rotterdam to Brindisi. The primary source of navigation was ECDIS. A junior watchkeeper had laid off the course, unsupervised by the ship's Master, on an electronic chart of the wrong scale which showed fewer

details than a larger scale version. He laid the course right over the shallows of the sand bank, which is about five miles long and is guarded by a lighted buoy at both ends and one either side.

As the ship approached, the officer of the watch ignored the buoyage and the ship ran aground on the sand. The ship suffered only superficial damage and the rising tide floated it off after three hours. The Officer of the Watch had no idea that the ship had run aground. It was only after about 20 minutes that the coastguard contacted the ship from Dover and told the OOW of the ship's predicament.

One retired River Tees pilot told *SN* that he once took an unplanned passage on a Greek ship from Middlesbrough to Dover; the weather was too bad to allow him to disembark. It taught him a lot, though. The ship was none too clean and there were no uniforms on show. The food was basic and there was a lot of shouting between the sea-staff. But on the bridge they were totally professional. The navigation equipment was first-class with the charts corrected and fully up-to-date. The watchkeeping and chartwork were excellent, which just goes to show that you can't always judge a book by its cover.

A British Colombia pilot with experience of both foreign and local officers told *SN* that some officers of the watch on Canadian ships lost all interest once the pilot had boarded. They would ask the pilot to mark the ship's position on the chart at the change of each watch. When he did so, the pilot was amazed that seldom were any courses laid off on the chart. The voyage might be one from Prince Rupert to Vancouver, a distance of more than 400 miles. This is an area where the ferry *Queen of the North* sank after striking rocks in 2006. Results of the enquiry blamed the Second and Fourth Officers and the helmswoman for missing a course alteration and ploughing on for four nautical miles and 14 minutes, before hitting rocks. The ship had pilotage exemption.



Training can only go so far



Seafarers need to learn the principles of safely trading a sea-going vessel

Generally, when the pilot boards for a long pilotage, it is an opportune time for the watchkeepers to get up-to-date with the never-ending stream of paperwork.

CREW SHORTAGE

Leaving aside the issue of officer shortages, if you add to this the enormous numbers of newbuildings entering service, there is obviously a shortage of the more experienced personnel to man them.

There is also a well-recognised language problem. English has traditionally been the international language for maritime affairs. One Sydney pilot told *SN* that on one ship he boarded only the master among the officers spoke English; and that was because he was English. The other officers only spoke Cantonese. The Chief Steward spoke some English and was used as an interpreter when necessary. In an emergency, the captain is held responsible, but if there is no immediate communication possible between master and officers, a recipe for disaster looms large.

The afore-mentioned reliance on electronics also poses a problem, with a malfunction or deliberate sabotage of the GPS system a huge risk. During the Gulf War, the US military created GPS errors to frustrate Iraqi armoured columns. This put one ship's position halfway up the Shat al Arab River rather than off Bahrain Island where the captain knew he was. A full disablement of GPS would likely result in chaos, especially if those fundamental 'principles of navigation' are lost to seafarers.

It has been said that if the Americans ever turned

off the GPS system, 40,000 ships would find themselves lost; some on rocky coasts and areas of outstanding natural beauty, some on world heritage sites.

One master from South Australia suggested to *SN* that some decision-makers with no experience of the marine environment have likened the navigation of ships to a computer game, which will eventually render lighthouses and navigation aids redundant.

"I wonder," he asks, "how many of the proponents of these electronic systems have ever experienced complete blackouts of ships while under pilotage, or engines failing to respond. Where will the electronic pilot be left, if his laptop goes down? Skills in handling emergency situations have been acquired after many years of hands-on experience." *SN*

All at sea without a compass

An Australian pilot boarded a ship about to sail from Townsville. He checked all the bridge equipment, a task usually carried out by the ship's officers before sailing, but more recently an undertaking for pilots and one that turned out to be a prudent and essential one in this case.

The pilot looked up the compass periscope to check the magnetic compass and saw nothing. He turned the dimmer switch up and still saw no compass card. He went up to the monkey island and took the helmet off the compass binnacle and found that there was no compass bowl. Down on the bridge, he approached the chief mate to ask where the compass bowl was.

The officer replied: "I have only been on the ship four months, I haven't had time to find it yet." Apparently the master and other officers hadn't had time to find it, either. *SN*

"...If we believe that correct and safe decisions come after years of experience, are we compromising the future if we allow the experience pool to become so diluted that vital decisions do not have an element of experience fed into them?"

PhotoCall for entries

Awe-inspiring seascapes, monster machines, floating steel behemoths – shipping is an industry of striking contrasts. In recognition of this, the March 2016 issue of *Shipping Network* will be a special edition celebrating the imagery of the shipping industry. We are inviting all Institute members, fellows and students to submit high resolution photos, the best of which will feature in the March 2016 issue of *Shipping Network*. The best overall photo will be awarded a prize of £500.

Categories:

- Port at work • Community
- Shipping Services • Environment

Technical information:

Photos can be colour or black & white and must be at least 300 dots per inch resolution (300 dpi).

Terms & Conditions:

The photos must have been taken within the past year by an Institute of Chartered Shipbrokers' current Member, Fellow or Student and be copyright and royalty free. Eligible members, fellows and students may enter one photo per category.

Final deadline for photo submissions: January 31, 2016

To submit a photo, please send the image as an attachment to design@theclubb.co.uk.

All entries must include the entrants full name, the category entered, Institute membership number or student number, and a photo caption.



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Keeping the lights on

Paul Ridgway explains the industry's dependence on the services of Trinity House



Paul
Ridgway

As an industry that carries over 90% of world trade, maintaining safety for shipping is paramount. While international bodies, such as the IMO, plays an important role in regulating our industry to promote safety at sea, there are other just as important organisations that have safety standards firmly on their radars.

To ensure the safety of vessels in the transport chain and, in turn, protection of the marine environment, it is essential that marine aids to navigation both traditional and electronic—such as lighthouses, buoys and the differential GPS network—are provided to the highest international standards.

In the UK, marine aids to navigation are provided by three General Lighthouse Authorities (GLAs) of which the Corporation of Trinity House has responsibility for the waters of England, Wales, the Channel Islands and Gibraltar. Elsewhere, the Northern Lighthouse Board provides the service for Scotland and the Isle of Man and the Commissioners of Irish Lights for the whole of Ireland. The GLAs operate under the Merchant Shipping Act, 1995.

Trinity House's service is based at its Grade I Listed headquarters at Tower Hill, London, with a depot at Harwich—with remote control of 64 lighthouses and nine lightvessels and around 450 buoys—an outstation at Swansea and a forward operating base at St. Just, near Land's End. In all, Trinity House employs around 300 staff, operates three vessels and makes extensive use of a helicopter. The aids to navigation service is funded by light dues levied on vessels arriving in our ports; no funding is taken from the UK Exchequer.

In addition to providing its own aids to navigation, Trinity House provides advice and consent for the provision of aids to navigation by ports, harbours and local authorities and considers applications to add, change or remove seamarks. Examples of these are diverse: dredging and marine extraction; establishment of wellheads, drilling rigs and production platforms as well as pipelines; cable crossings; oceanographic buoys; offshore renewable energy; harbour redevelopment; boreholes, yacht racing marks and coastal or flood defence schemes. These aids are inspected each year to ensure that they conform to light character and configuration. In 2014, staff inspected more than 11,000 aids to navigation and audited 26 Competent Harbour Authorities in addition to the inspection of more than 140 offshore oil and gas structures within the Trinity House area of responsibility.

HAZARD SPOTTING

Furthermore, Trinity House has responsibility for marking wrecks that are a danger to navigation and outside port limits; for this an emergency wreck marking buoy can be rapidly deployed.

Predating even centuries of service as a General Lighthouse Authority (GLA), its charitable functions reflect its 1514 origins

and the Royal Charter granted by Henry VIII; these functions have survived more or less intact as the centuries have passed and today Trinity House is the UK's largest endowed maritime charity, providing education, support and welfare to the seafaring community.

The Corporation provides almshouses for retired mariners at Walmer near Deal in Kent in the form of 18 bungalows with a communal room and a supervisory team to manage the site.

One of the oldest responsibilities of Trinity House is that of examining, licensing and re-validating deep sea pilots operating in the Channel and North Sea. Another ancient responsibility is the provision of Nautical Assessors, known as Trinity Masters, to the Admiralty Court to work with the judges on cases with complex navigational or seamanship issues.

The charity runs two cadet schemes: the Merchant Navy Scholarship Scheme which admits 30 Deck, Engineering and Electro-Technology cadets a year to a three year course, while the Professional Yachtsmen's Scheme annually trains six cadets for the large yacht industry and provides a beacon of good practice in a growing and diverse international grouping.



Hanois lighthouse – one of the many under Trinity House's remit

Endowed resources comprise a grand total of investments and property of £230m and it is rental income from this that supports the majority of the charity's expenditure and grant giving. This in turn supports over 20 front line maritime charities on a regular basis and a nearly equal number on an ad hoc basis each year.

For five centuries Trinity House has concerned itself with the welfare of mariners and their immediate dependants, training and education in navigation and seamanship, the advancement of public safety—in particular the safety of mariners and shipping generally—and the education of the public in matters relating to navigation, shipping and seamanship. **SN**

Paul Ridgway is editor of *The Trinity House Fraternity Review*. For more information on Trinity House, go to www.trinityhouse.co.uk.

Award seeks to further agent and broker learning

Carly Fields discusses the research of the inaugural winner of the FONASBA award



Carly Fields

FONASBA's inaugural Young Ship Agent or Broker Award got off to a flying start this year, with seven high calibre entries submitted.

The Award Review Panel, consisting of former FONASBA president and honorary member Gunnar J. Heinonen, FONASBA vice president for education Capt Jakov Karmelic, and Charlotte Kirk FICS representing ITIC, one of the prize sponsors, deliberated over the summer before deciding on a winner.

A paper from Renan Queiroz, a ship agent with Wilson Sons in Brazil, was deemed to be the best and Mr Queiroz was invited to attend the FONASBA annual meeting in Vitória, Brazil to receive his prizes, which were generously donated by ITIC and BIMCO. Aleksandar Obucina of Agent Plus of Serbia was highly commended for his paper.

The other entrants for the 2015 Award were: Diego Aguero, Agencia Maritima NABSA (Argentina); Giulia De Paolis, Bulk Mare (Italy); Luisa Mastellone, Marinter Shipping Agency (Italy); Nils Reinhardt, UCA, United Canal Agency (Germany); and Frédéric Van Mechelen, MSC Belgium (Belgium).

The award was introduced in 2015 to encourage members of the ship agency and ship broking profession aged 40 or younger to further their education and academic and practical training through the research and writing of a thesis-standard paper on a maritime-related subject of their choice.

Announcing the winner, Mr Heinonen said: "My colleagues and I were extremely impressed by the standard of the entries, which was consistently high across all the papers and we congratulate Mr Queiroz and the other entrants on an excellent

effort. The number and level of the entries in this first year has proven the concept of the award and we hope to build on this encouraging start next year and beyond."

The 2016 Award will be launched before the end of 2015. All entrants must be employees of a company which itself is a member of a FONASBA national association. As a result, Institute members based in the UK and working for a company member can apply via Federation Council, while those based

outside the UK can only enter via their own national association, not through the Institute.

Winner Renan Queiroz considered the role of shipping agents



ROLE PLAY

Mr Queiroz's winning paper considered the role played by the ship agent in the shipping industry and the challenges posed by new global trends. In his paper, he highlighted the advance of globalisation, more flexible tax regimes and an increasingly mobile workforce as issues that are combining to create new opportunities and challenges for the industry.

"New strategies and corporate processes are required to deal with an industry that is being constantly reshaped through market consolidation and

changes in the global trade balance," said Mr Queiroz.

He referred to the highly cyclical nature of the shipping industry and how this, in turn, has led to volatility in the agency sector: "For companies to maintain or even achieve the desired success, all risks involved must be evaluated and controlled. Shipping agencies should therefore adapt themselves quickly and effectively to the major changes being observed throughout the world, both with regard to maritime transport and to the port operations system."

This evolution has led to an intensive search for value-add propositions in ship agency and the reduction, or more efficient allocation of, costs to shipowners.

Meanwhile, advances in information technology have changed systems and the way in which information is exploited. These changes, said Mr Queiroz, bring dangers as well as opportunities for shipping agencies.

"Investment in integrated communications systems is key to maintaining or even increasing the competitiveness of agencies"

One expressed danger is that customers can now, through improved forms of communication, hire port services directly, which could considerably reduce the value of agency services. On the other hand, advances in systems and communications technology offer opportunities to “reset and expand” the role of agency in international trade.

That said, some fundamentals remain important: “Throughout our study regarding the role played by ship agents in the shipping industry, we acquired the perception that quality, accuracy and speed of information are perhaps the greatest demands from shipowners or operators and are therefore items of great importance to maintaining the competitiveness of a shipping agency,” said the paper. “Thus, investment in integrated communications systems is key to maintaining or even increasing the competitiveness of agencies.”

Mr Queiroz also pointed to the difficulties posed by a lack of standardised communication between agents in different ports of call and shipowners and operators. “As a result, ship operators will handle different types and formats of information for each port even if the information itself is the same, as well as different levels of quality and efficiency of the agencies.”

Every agency also has a unique method of processing and issuing disbursement accounts, which further hinders efficient operations.

BEYOND BORDERS

All this is leading ship operators to source agencies that operate internationally, not just locally: “There is a need for agencies to develop their product (the service offered) both internationally and locally. They should aim to enter new markets, whether regional, trans-regional or global, but always adding value to the service provided locally,” said Mr Queiroz.

“In order to survive and prosper in the future, shipping agencies must look beyond the narrow boundaries imposed to their traditional role. They must convince their customers of their ability to add real value to their service continuously. The focus should be on identifying key differentiating factors able to add value to the service provided.

“The agent must also find himself in a real partnership with his customers and this will require a higher degree of operational and financial transparency in their business. It will become increasingly necessary for the agent to elevate his level of expertise to handle the specific requirements of each trade and client.”

He continued: “There are therefore several challenges posed to shipping agencies with the advent of various global trends, but combined with these challenges, there are several opportunities to maintain or even elevate the competitiveness of the agency by redefining the product offered.”

In conclusion, Mr Queiroz observes that the advance of globalisation is creating new opportunities

and challenges for the shipping industry and consequently for ship agencies.

“Under these circumstances, new strategies and business processes are required to deal with these changes and challenges for the ship agent to continue adding value to his product. We understand, therefore, that the impact of these new trends constantly threatens the role currently played by this professional.

“Based on this, it is necessary that shipping agencies seek to continually access new markets, aiming thereby to increase their competitiveness in the sector and increment the service offered.” **SN**

“In order to survive and prosper in the future, shipping agencies must look beyond the narrow boundaries imposed to their traditional role”

Agents need to embrace technology to succeed in the future



Evolution of our student profile

This year's international prize winners talk with [Carly Fields](#) about their learning journeys



[Carly Fields](#)

Not so many years ago, students sitting the Institute's exams were more often than not already employed in shipping and looked to Institute membership to further their career prospects within the sector.

But the global financial crisis and the subsequent rise in unemployment has altered the profile of the 'typical' Institute student. More and more graduates of non-shipping degrees, school leavers and established workers looking for a career change are sitting the Institute's exams.

For the Institute, this has meant that its student profile has significantly broadened. And when those students become members, the membership will be all the richer for it.

So how do these students find the Institute, and what is it that attracts them to the professional examinations the Institute offers? *Shipping Network* put these questions to this year's examination prize winners as they gathered in Trinity House for the annual prize giving ceremony in October.

Some students are directed towards the Institute's professional examinations by colleagues or friends, others stumble across them in their search to improve their learning. A selection of prize winners share their stories about how they found the Institute.

The Afrimari Award winner Maxwell Mamonkose recalls that a friend introduced him to the Institute learning programme.

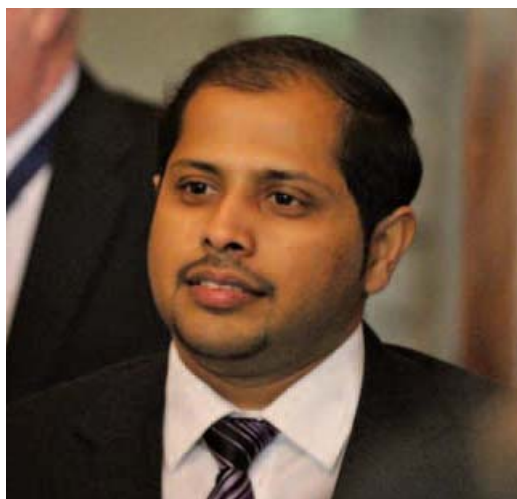


[Thomas Day](#): "I wouldn't say I ever set out to get into shipping, but I've always sailed and loved the sea"

He had already completed a port-related degree so was no stranger to the maritime world. What attracted him to the



The profile of the 'typical' Institute student has altered over recent years



Narayana Pariyarath has found professional qualifications particularly important

Institute's modules was the opportunity to broaden his knowledge of the industry beyond the ports' sector.

Baltic Exchange Award winner Dian Nikolov also wanted to supplement his university education, which focused on maritime law. "I studied with the Institute as I wanted to gain a deeper insight of the shipping industry from, say, the broker's perspective," he says. "Legally speaking, I know the contracts and the terminology, but not the parties that are actually involved in the contract. I wanted to have the whole picture in front of me. With the Institute you can understand how the market and the industry operates and how it all works together."

Mediterranean Shipping Co (UK) Award winner Eduard Machavariani came to the Institute from an entirely different path. Hailing from Georgia, home of the Caucasus Mountains and the Black Sea shores, Eduard's family has long adhered to the Georgian equivalent motto of 'our word, our bond'.

When he searched online for the phrase he found the two organisations that share that motto: the Baltic Exchange and the Institute of Chartered Shipbrokers. "I was very interested in this," he says. "I decided that it would be nice to join a team of people that have the same mentality, same ethics, and the same knowledge of the industry. The Institute's studies give the whole picture of shipping. Shipping is like a galaxy, full of big parts and big differences."

Safmarine Award winner Narayana Pariyarath says it was chance not choice that brought him to the shipping industry. "I came from a wealth management background in India and I had to move to the UAE as part of the job. I found a job in a shipping company 15 days before my UAE visa expired."

Port of London Authority Award winner Thomas Day read economics at university and left with limited work experience.

"I met a guy employed as an intern in a shipping company in a pub and he gave me some names to apply to. I wouldn't say I ever set out to get into shipping, but I've always sailed and loved the sea." **SN**

How can the Institute better serve its students?

"Instead of giving international awards, I would prefer an **internship** in the industry. People that are not already in the industry would **benefit most** from this. Why not organise a week, or two week's internship?"

"We should have more opportunities to **build** up an **international network**. In Greece, we had excellent opportunities to meet people from other sectors, but it would be good to have this on an international level as well."

"What about a **forum** specifically for students, where you can have 'rooms' for discussions about jobs or questions about papers for example? This would help with the **community** feel."

"Tutors could give **model answers** as the books don't cover all the issues."

"The best thing I got from my tutor was **information** on how to **prepare** for the actual exams. I used my assignments as **practice** for writing for three hours."

"More **face-to-face** teaching sessions; in Greece, almost everyone attended face-to-face **teaching sessions**. The tutors are really good and there's a lot of additional material as well."

"I would like to see more analytical **exam advice** guidelines online, for example **analysing** the **time per question**."

"Perhaps we could look at **moving away** from **handwritten exams**. In shipping, handwriting is generally not acceptable for formal documents and if you finished university 20+ years ago you have already forgotten how to write!"



"With the Institute you can understand how the market and the industry operates and how it all works together."
Dian Nikolov



Written by professionals for professionals

Shipping has become more complex to the extent that the name shipbroker, which at one time was thought to apply only to those engaged in chartering dry cargo tramp ships, now embraces separate disciplines in tanker chartering, ship management, sale and purchase, port agency and liner trades.

As an independent international professional membership organisation, the Institute of Chartered Shipbrokers strives to promote a world class program of education and training to ensure that all its members are knowledgeable about their business. As a result, the Institute produces and publishes a comprehensive series of books on shipping business.

The Institute's sixteen books are unique in that they have been written by professionals for professionals in the shipping industry. They now undergo a regular review where they are peer reviewed, revised and updated by professionals in their particular discipline and peer reviewed again, so that an accurate revision can be achieved.

The books themselves will continue to be part of the TutorShip course, but our goal is to make them more widely available to the general shipping industry, which has long requested our books as general reference titles.

Members are entitled to a 50% discount on all of the Institute's publications.

To place an order, please complete a book order form and return it to us.

For book order forms and support, please visit: www.ics.org.uk/learning

**Members receive
a 50% discount
on all books**



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It's shipping, but not as we know it

Carly Fields asked this year's international prize winners to look into their crystal balls



Carly Fields

Fast forward ten years in shipping; will the seas be full of unmanned ships, will the world's major shipping centre be in Africa or the Middle East, will we still be moving oil or will it have been replaced by shipments of water?

The Institute's prize winners have had a weather eye on the industry in preparation for their exams, so we asked them what they think will happen in the future.

MSC (UK) Ltd's Laura Beckett believes the industry is heading towards more automation, with the container industry laying the groundwork for this with its automated terminals. But switching that focus to automating ships is a whole new ball game.

ASSA Trans Caucasus' Eduard Machavariani explains that unmanned cars are taking hold as they generally run in one country with one culture and habit. Ships, on the other hand, trade internationally to different nations with different cultures which, in addition to harsh environments and unavoidable extreme weather conditions, will hold back automation developments.

Koch Carbon UK's Thomas Day raises concerns about the threat of cyber crime in relation to automation, pointing to news that the US Navy is to teach celestial navigation in tandem with electronic navigation in case of a failure in the latter. "That has to be a consideration for international trade," he says. "A huge



Laura Beckett believes the industry is heading towards even more automation with the container industry leading the way

percentage of international trade is by sea; I find it terrifying that there is a risk of being hacked."

Sussex Port Forwarding's Peter Manville gives the port perspective: "From a port's perspective it's only going to get more regulated. From the agency perspective we are dictated to by the EU and there's more and more paperwork coming in for shipowners to sort out."

"A huge percentage of international trade is by sea; I find it terrifying that there is a risk of being hacked."
Koch Carbon UK's Thomas Day



"Different national cultures and habits will make the introduction of unmanned ships difficult"
ASSA Trans Caucasus'
Eduard Machavariani

Argyro Tegou of Timagenis Law Firm believes that the effect of the entry into force of the Maritime Labour Convention 2006 will have a big impact in the medium term. "Many big companies are willing to implement measures internally to assure that seafarers are living and working in far better conditions than the past which has affected port management and port state control."



Spring PREP 2016

The Institute's Spring PREP will be held in Warwick from

**Thursday 3rd March
to Sunday 6th March 2016**

A study experience tailored specifically towards preparation for the Institute of Chartered Shipbrokers' exams, open to all students irrespective of their method of study.

PREP provides students with an intensive, interactive and highly motivating study experience.

The four day revision event will include: mock exam, lectures, the opportunity for personal tutoring and networking.

'I thoroughly enjoyed the weekend, both learning and socialising. I feel much more confident about passing my exams and I hope to be back next year.'

Ricky, Clarksons Port Services

'It was a perfect weekend of learning and socialising with colleagues from the industry. Will definitely come back next year as it is a great way to prepare toward my exams.'

Jordi, Next Maritime Agency

'I thoroughly enjoyed the PREP weekend. It exceeded my expectations for both the facilities, the accommodation we stayed in and also the amount and quality of the information given out by the presenters and the Institute's staff who made themselves available throughout the weekend. Can't wait for next year.'

Mark, The Armitt Group

'Everything about this year at PREP was fantastic. Every detail had been well thought through. The tutors are fantastic; the Institute's staff very friendly and make you feel so welcome. The passion from all the staff and tutors is commendable and really shines through.'

Vikki, The Armitt Group



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She also explained that financing is going to become a hotter issue in coming years as national European banks continue to withdraw from shipping. "Ship entities are tending towards hedge funds which are very willing to invest in the shipping industry. This will give a different perspective as shipping has previously attracted investors with a long term view."

Giving the African viewpoint, Maxwell Mamonkose raised hopes of a pragmatic move towards combatting piracy in African waters: "I hope very soon that people with brilliant ideas will find a way to allow ships to sail through very dangerous waters without the assistance of private security." **SN**



"Many big companies are willing to implement measures internally to assure that seafarers are living and working in far better conditions than the past which has affected port management and port state control."

Argyro Tegou of Timagenis Law Firm

"From a port's perspective it's only going to get more regulated. From the agency perspective we are dictated to by the EU and there's more and more paperwork coming in for shipowners to sort out."

Sussex Port Forwarding's Peter Manville

Top tips for success

It takes hard work, determination and usually a few sleepless nights to make it to the top of the Institute's exam rankings. This year's prize winners share some lessons learned with those at the beginning of the Institute exam process.

"My advice would be to go through the entire course and attempt the exam papers before you read the examiners' comments," says Maxwell Mamonkose. "Then you will be able to identify your mistakes and moving forward you will be able to assess what the examiner is looking for."

"Pick any year; when you finish you will then know the answers you would have given in an exam situation and you can then compare your answers with the examiner's report. This will reveal where your problems are."

Dian Nikolov agrees that the examiners' comments can be very useful in getting under the skin of the subject.

"Also, follow the syllabus and study the books," he says. "The books are very well done and nicely written and they present the subject in a very understandable way."

Eduard Machavariani gives a different take, having finished his university studies some 15 years before he took up the Institute's professional examinations. He reminds students not to assume that the examiner knows what you know.

"Just because you have had lots of experience in shipping it does not mean that your examiner knows that; that's why you have to

explain what you know. As a practicing shipping professional you may have become lazy, preferring not to write too much. But during an exam you have to be clear and you have to remind yourself of the learning and examination experience." **SN**



Maxwell Mamonkose advises students to attempt past exam papers before reading the examiners' comments



Richard Brook-Hart addresses the prize winners



The 2015 prize winners enjoy lunch with the Institute president



The High Tide Foundation enjoyed the event



Guest speaker Sir David Steel



This year's prize winners and award sponsors



Guests enjoyed canapes and drinks inspired by the nations represented by the prize winners



The audience was enthralled



No avoiding the commodity calamity

Andrew Lansdale analyses the effect of cut-price raw materials on trade



Andrew
Lansdale

The continued downwards pressure on commodities is a harbinger of doom for shipping. In the oil markets, the price of crude oil, although volatile, is still steadily falling. In the last quarter of 2015, Brent crude was hovering around \$50 per barrel; it was trading at more than \$90 per barrel a year ago.

This has impacted on major oil companies. Shell, for example, has cancelled exploration projects because of falling prices. It has written off billions of dollars in ventures in Alaska and Canada. This has led to a loss of \$7.4bn in the third quarter of last year. We have yet to see how the fourth quarter panned out.

All the 'big oil' companies are suffering: Exxon's figures are down by more than 50%, while Chevron's are close to 90% down. But at the same time as prices are falling, demand is still running at a high level, up by a further 1% last year. The trouble with pumping as much oil as possible in order to maintain their revenue streams is that oil fields deteriorate. Eight of the twelve OPEC countries have reached peak production and their output is falling, the latest being Kuwait. Its production peaked at 2.95m bpd in the middle of 2013 and it has fallen by about 100,000 bpd since then.

Saudi Arabia has lowered its production levels by some 300,000 bpd. The official story is that domestic demand has lessened as air-conditioners are turned down. Last summer, temperatures peaked at 45°C while in December it fell to an average of 22°C; so the tale does hold together. But perhaps, by ruthlessly pumping its oil at more than 10.5m bpd, its ability to produce at such high levels has been damaged.

But such high production levels have been very good for tanker owners. VLCC rates rose to over \$100,000 per day for voyages from the Middle East to the Orient. Rates from West Africa were not far behind. They halved towards the end of the last quarter, but this was seen as a correction as suezmax and aframax rates remained steady at between \$30,000 and \$40,000 per day. As demand remains high, freight rates for dirty tankers are expected to remain at these levels well into 2016.

...Iron ore, coal, grain, copper concentrates, nickel, bauxite, phosphate and alumina are dropping out of favour and these and other industrial cargoes are collapsing in price...

Clean tankers have not reached such impressive highs. MRs averaged about \$16,000 per day and LR1s and LR2s saw a mean level of about \$28,000 per day. Crude oil prices are expected to fall further during 2016 as the Saudis continue to pump oil as if it was going out of fashion. Gasoline prices are low at about \$2.50 per gallon in the US and expected to go lower and demand for gas-guzzlers is increasing, fuelling oil consumption. Therefore clean tanker rates will remain reasonably strong.

But oil is not the only essential commodity that has fallen on its face. Iron ore, coal, grain, copper concentrates, nickel, bauxite, phosphate and alumina are dropping out of favour and these and other industrial cargoes are collapsing in price. This is proof enough that the global economy is running out of steam under the burden of a \$200tr weight of debt. Chief among this economy is, of course, China. Market analysts realised last summer that its economy is in trouble and commodity prices remain under pressure.

CHARTERING RISK

On the chartering side, mining companies are suffering. Rio Tinto's profits fell by 40% while BHP Billiton dropped by 86%. Citigroup predicts that iron prices will fall to, and stay at, \$40 per tonne for the next three years. This is good for steel producers, especially in China, but that country's steel output is being sold overseas at predatory prices, because local demand is in freefall. China's crude steel output fell more than 2% to 609m tons in the first nine months of last year. Steel rebar futures in Shanghai fell to record lows during the last quarter of 2015, as domestic iron ore prices fell to lows not seen in a long while. But exports jumped 27% to more than 115m tons. For comparison purposes,



Credit: Damian Gadal

Despite demand still running at a high level, crude oil prices are steadily falling



Boxed up

It is not only dry cargo owners that have not looked carefully into the future. Containership owners continue with their wild frenzy of buying. In the third quarter of last year, Maersk Line issued a profits warning, blaming overcapacity in the container sector. But it was as if the one hand that issued that warning was not aware of what the other hand was doing.

What the second hand had done was to take up Maersk Line's option to order a further eight 14,000 teu ships. In the third quarter of last year, the company signed an order with Hyundai for nine of the class with an option to purchase a further eight. It is this option that has been confirmed. And then it turned out that the ships were not 14,000 teu but larger at 15,300 teu, similar to the *Emma Maersk* and its sisters.

It is thought that these 17 ships will replace the company's 9,000 teu vessels currently employed on transatlantic, transpacific and intra-Mediterranean trades. And one wonders where these 9,000-teu ships will be deployed and which ships they will replace and displace, and how the downsizing cascade will affect smaller sizes.

Other shipowners have joined the 'arms race' and rushed to order

very large container ships. Twenty 18,000+ teu ships were delivered last year. Ten more will be delivered this year and two the next year. Evergreen were late in the game and their mega-container ships, eleven of them, will not hit the oceans until 2018 and 2019. And this owner will be joined by OOCL and MOL who have ordered six each for delivery in the same time span. And Maersk Line, the company which first warned of overcapacity is in the process of contracting a further six 19,000 teu ships. And keen to join the party, loss-making China Shipping Container Lines is behind the contracting of eleven 21,000 teu newbuildings for delivery later in the decade. Recent research suggests that the breakeven rate on these large container ships is \$600 per teu. Current earnings are about \$150 per teu; stark figures indeed.

And although the reasons for all this contracting of newbuildings vary from company to company, the string that runs through them all is that larger, eco-friendly ships will have the same running costs as smaller, older vessels. Freights will be as much as \$50 per teu cheaper, but this may be optimistic when the ships are trading half full for much of their lives. [SN](#)

Although blaming overcapacity for a profits warning, Maersk has ordered more ships at a similar size to the *Emma Maersk*



Credit: Maersk Line

Japan, the world's second largest steelmaker produced 110m tonnes and Europe, 135m tonnes.

Chinese exports are certainly hitting the UK steel industry with many direct jobs and a much greater number of dependent jobs being destroyed. In the last 25 years, much has happened. In 1990, the UK produced nearly 18m tonnes or 2.4% of the world's production. China produced 67m tonnes or 9%. In the intervening period, these figures have changed dramatically; the UK down to below 1% and China up to 50%. As everyone knows, this huge increase in production led to an equally dramatic increase in seaborne volumes and in the numbers of bulk carriers to carry it. As a rule of thumb, one tonne of steel requires one tonne of metallurgical coal and two tonnes of iron ore. So the Chinese steel industry gulps down three tonnes of commodities for

every tonne of steel; the equivalent of 1.8bn tonnes, most of which is imported.

So a 2% fall in imports represents nearly 36m tonnes. In turn this is reflected in fewer cargoes, some 200 capesize-equivalent liftings per year. Why shipowners assume that things will improve in the short term is difficult to understand. The contracting of even more capesize newbuilding vessels suggests that charterers will also be even more reluctant to increase freight rates or timecharter hire levels. That means of course, that dry cargo rates will continue to bounce along the bottom for some years to come. But as Sonny Kapoor said in the film, *The Best Exotic Marigold Hotel*, "Everything will be all right in the end, if it's not all right, then it's not the end!" Figures suggest that the 'all right' will be a long way off. [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



What regulatory impact does the flag and nationality have on a vessel trading globally?



Conor Cahill



Broadly speaking, a vessel operating on a worldwide trade will be subject to scrutiny by two regulatory regimes. First, those enforcing local regulations for the port in which the vessel is visiting and, secondly, those enforcing regulations required by the State in which the vessel is registered. These are known, respectively, as port State and flag State regulations. Port State regulations apply to a vessel while operating within the territorial waters of any state, other than the one in which the vessel is registered. Flag State regulations apply continuously to a vessel wherever she happens to be operating.



Mark Thompson

The flag under which a ship sails indicates the nationality of the vessel. The United Nations Convention on Law of the Sea 1982 (UNCLOS) allows every State, whether coastal or land-locked, the right to sail ships flying its flag on the high seas.

UNCLOS requires every State to fix conditions for the grant of its nationality to ships. Each State is required to maintain a Register of Ships. Once entered on the Register of a State, the vessel assumes the nationality of that State and has the right to fly its flag.

While UNCLOS requires there to be a genuine link between the vessel and the flag State, there are a number of 'open' registers in which States allow vessels to be entered even if they are owned by foreign entities. Examples include Panama, Liberia, Belize and Marshall Islands.

The flag State administration for any given State is responsible for effectively exercising its jurisdiction and control in administrative, technical and social matters over ships flying that State's flag.

As well as implementing existing national laws, individual States also have responsibility for incorporating the requirements of newly ratified international conventions into their own national legislation. Once incorporated into national legislation, the State has the obligation and power to monitor compliance for any and all vessels flying its flag or the master, officers and crew thereof.

SAFETY STANDARDS

Flag State administrations are responsible for the regulation of such things as safety standards, pollution prevention, crew training, crew certification and competency, crew labour regulations, construction standards, equipment specifications and security procedures. In addition to the regulation of vessels, the flag State administration also has responsibility for investigating accidents and carrying out disciplinary proceedings. While in day-to-day practice much of the responsibility to inspect, survey and certify vessels is delegated to classification society surveyors, it is in this respect under the authority of the flag State that classification society Surveyors operate.

The reputation and credibility of some 'open' registers has been discussed throughout the industry for many years. The term 'flag of convenience' has been widely used to describe many administrations offering an open register. While there are some who are sceptical, it is not possible to generalise about the standards of vessels entered on such registers. It remains the responsibility of the owner to ensure that vessels are correctly maintained and operated.

As a shipowner, choosing a flag which could be considered a flag of convenience may, in many cases, offer a simplified process of registration together with cost benefits, more attractive labour regulation and potential tax benefits. While it may be the case that the initial regulation is simplified, the requirements of regulators for other States cannot be overlooked.

It should be remembered that regulators from other administrations have the authority to impose local and international regulations on all visiting vessels through the process of Port State Control inspections. Failure to meet the requirements of such port State regulations during any visit may result in fines, delays or detention of the vessel.

Shipowners should therefore give careful consideration and take considered advice when choosing where to register a vessel. **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.



Choosing a flag is a difficult decision



What are the regulations covering polluting emissions in shipping?



Pollution of the seas is handled on an international level. As part of its quest to tackle polluting emissions in the global shipping industry the International Maritime

Organisation (IMO), through the International Convention for the Prevention of Pollution from Ships (MARPOL Annex VI), has imposed ever reducing limits for such emissions.

While the legislation has been introduced on supranational level, individual nations are tasked with ensuring compliance. Maritime nations have as a result enacted conventions to limit both voluntary and involuntary emissions pollution. Such national implementation has resulted in a patchwork of regulations and regulatory bodies that vessels may be subject to on a single voyage, which could leave owners and operators in an uncertain position when it comes to the potential sanctions of failing to comply.

International conventions have sought to limit the impact of both water and emissions based pollution. Examples include the International Convention on Civil Liability for Oil Pollution Damage and Annex VI to MARPOL. MARPOL ANNEX VI imposes regulations as to emissions of nitrogen oxides, sulphur oxides and particulate matter.

The limits imposed by MARPOL Annex VI are not, however, universal across contracting states. EU Directive 2005/33 brought in a limit for the sulphur content of MDO of 0.1% in EU ports from 2010, at a time when the MARPOL Annex VI limit was higher. MARPOL Annex VI also imposes more stringent limits in Emission Control Areas (ECA), currently the North Sea, Baltic Sea, North American Coastline and US Caribbean. As of January 2015, vessels within the jurisdiction of the ECAs must have a bunker sulphur content of less than 0.1% of the overall mass of the bunker fuel.

NATIONAL NUANCES

While such conventions impose limits across national boundaries, enforcing these limits is left to national or, in some cases, regional bodies. The result is a fragmented picture, with the penalties for breaching pollution based regulations far harsher in some jurisdictions than others.

Emissions in Europe are monitored by a transnational body, the European Maritime and Safety Agency (EMSA). Penalties, though, are delegated to individual member states. A vessel found to be in breach within German jurisdiction will face a fine amounting to a maximum of E5,000, whereas in neighbouring Poland, this could be as high as E45,000.

Prosecutions under emissions based regulations have so far been limited as a result of disparate enforcement agencies, limited funds and a lack of political will. It appears, however, that increased



Credit: Jamie Grant

Breaching emissions pollution limits risks both a large fine and reputational damage

investment is being provided to regulators, giving them greater muscle. The European Parliament announced in 2014 that EMSA will receive E160.5m over seven years to combat ship-source oil and hazardous and noxious substances marine pollution. EMSA now boasts three Earth Observation satellites, supplying over 2,000 satellite radar images a year to 28 participating states, to aid in the detection of 'ship source pollution'.

Owners and operators must consider the emissions pollution limits within the jurisdictions in which they operate as these limits may vary from jurisdiction to jurisdiction. Breaching these limits risks both a large fine and reputational damage. **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 Conor Cahill, Mark Thompson and Guy Main. Conor is an associate, Mark a master mariner and Guy a senior admiralty manager, all in the shipping group in HFW's London office. Guy is also a Fellow of the Institute and, before joining HFW, he spend 18 years as a shipbroker. Additional research was carried out by Christian Horbye, a trainee in HFW's London office.

Different authorities, different penalties

Country/Port	Agency	Penalties
Shanghai	Shanghai Maritime Safety Organisation	Yen 10,000-Yen 100,000 (\$16,120)
US	US Coast Guard/Environmental Protection Agency (EPA) – boardings of vessels to take fuel oil samples, sulphur tests; fines	\$25,000 per violation per day (burning compliant fuel, maintain written procedures, etc are all different violations)
UK	Maritime and Coastguard Agency (MCA)	Max £50,000
Australia	(AMSA)	A\$60,000-A\$250,000 (depending on the State)

Inaugural ANZ course a success

The Australia and New Zealand Branch held its first bespoke chartering course and workshop in Melbourne in August, which was a huge success.

Nine delegates attended from several companies including shipowners, mining companies, oil traders and liner operators.

The workshop trainers Capt Nigel D'Souza and Richard Strachan were assisted by new ANZ Branch chairman Nick Vann. All are fellows of the Institute who cumulatively have over 130 years' experience in the maritime industry.

The course covered several topics including: The role of the broker; Markets, market reports, derivatives and indices; Chartering practice; Types of charter and specific clauses/terms; Charter-party terms; Time and voyage charters; Voyage estimation and related matters; Legal regimes that apply to charter-parties and bills of lading; Insurance in the shipping industry; and Practical matters in a shipping office function.

One delegate commented: "Thank you, Richard and Nigel, for your very helpful presentations and incredibly insightful knowledge about the Institute, owners, charterers, and bulk cargo generally. For me as a beginner in this industry I am often amazed by its complexity and nuances."

The course has been specially developed for charterers and practitioners of the bulk cargo trades. It provides an overview of the commercial shipping business, focussing in more detail on chartering practice and charterparties, and covers areas that have direct relevance for day-to-day shipping activities in a bulk export or import business.

A second course (pictured) was run in Brisbane in October with 11 delegates with courses in other centres being considered. **SN**



Delegates benefitted from the trainers' wealth of shipping experience

Promoting shipping to the next generation

The Institute helped spread the story of shipping to primary and secondary school students as part of the International Maritime Organization's World Maritime Day celebrations.



Head office's Robert Hill spoke at the IMO's World Maritime Day celebrations

The Institute took part in two open mornings on September 22 and 23, which saw London schoolchildren visit IMO headquarters to learn about the role of shipping in delivering goods and services around the world.

The World Maritime Day theme for 2015 was chosen in order to focus attention on the wide spectrum of maritime education and training employed as the bedrock of a safe and secure shipping industry. These are resources which the IMO believes

are vital to preserve the quality, practical skills and competence of qualified human resources and to ensure the industry's sustainability.

Director of the Institute Julie Lithgow, said the open mornings are a good example of how the industry should engage with a diverse audience to increase wider understanding of the importance of shipping.

"The Institute plays a central role in professional education and training in shipping but we also believe in spreading the message about the importance of our industry as widely as possible. Through the open mornings, we will share a positive message about shipping and help the next generation to understand the role it plays in all our lives."

The Institute, together with IMO, IMarEST and the MNTB, has produced an educational activity booklet 'The World of Shipping' which introduces the children to the industry. The booklet includes a foreword from IMO secretary-general Koji Sekimizu in addition to puzzles on trade routes, ship types and flags. **SN**

Sri Lanka champions all the way

Institute of Chartered Shipbrokers' Sri Lanka emerged as the champions of the Organization of Professional Associations of Sri Lanka's Inter Associations six-a-side soft ball cricket tournament in August.

The team beat the Government Medical Officer's Association with a 45 run victory at the Bloomfield Ground. The branch team did well to contain the formidable battling line of the GMO Association, who batted second.

After the event, team captain Kalinga Seneviratne received the champion's trophy from Professor Rohana Kuruppu, president elect of the OPA. **SN**



Team captain Kalinga Seneviratne (left) accepts the trophy

A partnership is formed

The trustees of the Institute of Chartered Shipbrokers' Educational Trust have recently announced the signing of a service agreement with the Maritime London Officer Cadet Scheme (MLOCS).

Under the agreement the Institute will provide administrative assistance to the MLOCS and in particular launch an internet-driven initiative to bring current and past MLOCS Cadets together and introduce them to the opportunities for furthering their knowledge of the industry through Institute of Chartered Shipbrokers' membership.

At a meeting before the Institute of Chartered Shipbrokers Annual Prize Giving at Trinity House, the president of the Institute, Bruce Ogilvy, and MLOCS chairman George Greenwood signed the agreement.

Mr Ogilvy said that he looked forward to both organisations supporting each other in their core activities of maritime education and training.

At the reception following the Prize Giving, MLOCS Cadet Richard Grad who has recently gained his Officer of the Watch Certificate of Competency spoke about his experiences as a Cadet to the international audience. Richard's MLOCS Cadetship was sponsored by the Institute's Educational Trust Fund. In thanking MLOCS and the Institute he said: "I could not have chosen the career path I did without these two organisations having faith in me." **SN**



Cadet Richard Grad spoke about his experiences



The Institute and MLOCS sign the agreement

Pakistan celebrates World Maritime Day

Pakistan Branch held its World Maritime Day celebrations and seminar on September 30 in Karachi to a packed venue.



Attendees enjoyed an informative day

Held at the prestigious Pearl Continental Hotel, the event brought together the Nautical Institute – Pakistan Branch; the Institute and the Chartered Institute of Logistics & Transport, Karachi.

The president of the Nautical Institute, Captain Robert McCabe FNI, and the vice chairman of the Chartered Institute of Logistics & Transport, Dato Radzak Malek FCILT, were the guests of honour.

Capt McCabe delivered the keynote address, followed by a message from the IMO secretary-general read by Capt Khurshid Khalid. The Institute head office sent a video message which was well received.

The following technical sessions saw ten international papers presented, followed by Q&A sessions. After examination of the papers a committee then made recommendations.

The chief guest of the closing ceremony was vice admiral (retired) Shafqat Javed, chairman of Karachi Port Trust, and the guest of honour was Abdul Malik Ghauri, director general ports and shipping in the government of Pakistan.

In all, 150 people attended the event, 50% more than the expected capacity. **SN**

Presidential recognition for Pakistan Branch founder

The Pakistan Branch has been recognised for its dedication and continuous efforts to enhance shipping standards through education and training in the region.

At a recent ceremony, the President of Pakistan, Mamnoon Hussain, awarded the 3rd FPCCI Achievement Award Gold Medal to Capt S.M.A Mahmoodi, founder and honorary secretary of the Pakistan Branch.

SN



Capt Mahmoodi receives his medal

Institute spreads the word globally



Open evening promotes the Institute

The Institute of Chartered Shipbrokers hosted an open evening in London, Chennai, Dubai, Hong Kong and Limassol in October 2015 for potential students who were considering taking the Institute's courses and exams.

The open evening was not only a great opportunity for prospective students to find out more about the courses on offer and entry requirements but they also had the chance to meet

local tutors and other students and learn more about what the Institute offers.

For those who were not able to attend, the Institute hosted a live online chat during the whole course of the day, whereby students from all over the world logged in and directed their queries to the Institute's education team.

The Institute currently has 5,000 students across all three levels of qualification, studying across six continents and over 100 exam centres globally. Embarking on professional education can be quite a challenge for students. Some

may have been out of formal education for some time and others, new entrants to the shipping industry. The Institute offers subsidised access to the industry's leading qualifications, and has a network of Institute members who teach, mentor and support students every step of the way.

Being the first open evening, it was a great success and should become a regular event on the Institute's calendar. **SN**

Danish Fair presence highlights education

In cooperation with Rybners, Esbjerg and The Danish Shipbrokers Association, the Institute had a stand at the latest Danish Maritime Fair held in Copenhagen in October.

Over the event, the stand was visited by 46 companies interested in the Institute's educational programmes. The conference's themes went from best practice to next practice, the keyword in knowledge, and information sharing. The Danish Maritime Cluster was represented with participants and presenters including shipowners, shipbrokers

and producers, as well as representatives of shipmanagement companies, organisations, government, universities, maritime IT specialists and maritime schools. The Denmark Branch chairman was invited to moderate the Chartering/Brokerage/Operations conference on 'Future challenges and business opportunities.'

The Institute's presence at this event was important and confirmed to the Scandinavian maritime world that education is the primary base for success. **SN**

South Africa prize giving celebrates winners

The annual Institute's South Africa Branch prize giving was held over in September at the Coastlands Hotel in Durban.

The event, which was well supported by sponsors, members and guests, honoured seven students who excelled in exams written in November 2014 and April 2015. The branch congratulated Grant Gorton (double prize winner), Candice Smith, Goscelin Gordon (double prize winner), Yugen Reddy, Tyron Koen, Thomas e'Silva

and Andrew Wright for their outstanding results.

The South Africa Branch was honoured to have Professor Trevor Jones from the University of Kwa-Zulu Natal as a guest speaker, who spoke about maritime education plans from a Government perspective.

The branch would also like to



congratulate four of its students who have now completed their Professional Qualifying Examinations and are up for membership: Yugen Reddy, Serena Chhoteylal, Theresa Ferreira and Dexter Biyela.

Special thanks are extended to the following sponsors: Phoenix Shipping, Ocean Africa Container Lines, Alpha Shipping, Edward Nathan Sonnenbergs, MUR, Ensign Shipping, Grindrod Limited, Island View Shipping and Sturrock Grindrod Maritime. **SN**



The prize winners enjoy recognition (top)

Guest speaker Prof Trevor Jones discusses maritime education (left)

Middle East student awards

The Institute's Middle East branch came together in October 2015 at the Crowne Plaza hotel in Dubai to honour and celebrate the students who excelled at the November 2014 and April 2015 Institute professional qualifying examinations.

In all, 160 people attended the event, which was supported by local sponsors that included ACE Global Lines, Captain Marine Supplies, GAC Dubai, Fichte & Co., Global West Star Shipping, Gulf Turbo, Inchcape Shipping Services, International Shipping & Logistics, McQuilling Dubai, Middle East Fuji, Mubarak Marine and Nielsen & Kilbourne.

The Institute's Middle East Branch committee remain grateful for the local support that keeps the branch financially sustainable. The ambition is to make this an annual event and to introduce an associated international conference and seminar on relevant current topics.

Captain Peter Machado, Middle East Branch president, welcomed members, guests and the chief guest and keynote speaker, Andrew Francis, director of DP World Institute. He took the opportunity to thank and congratulate the students as well as the local tutors who voluntarily give their time, experience and knowledge to help the students keep up with current relevant events as well as serving as invigilators to ensure the branch recruits more members.

An extra special mention was made to thank the branch committee, sub-committees, administration staff and volunteer members who assist at all its meetings.

The award winning students received their prizes and recognition from the representatives of twelve sponsors. Student spouses and parents received special mention and best wishes from our members. The branch chairman, Captain Jitendra Misra attended the event and presented prizes to three students.

Branch general secretary Krishnan Subramaniam delivered the vote of thanks and then invited guests that included representatives from affiliated marine organisation including the Nautical Institute, IMarEST, IIMS, SCLG, Aries Group and the University of Dubai, to dine with the branch. **SN**



Stopford tops London Branch billing

The Institute's London & South East Branch hosted a packed out seminar during London International Shipping Week with industry heavy-hitters on the podium.

Clarkson Research Services non-executive president Martin Stopford kicked off proceedings with his view that there is "a sort of logic" to what's going on in China right now.

Dr Stopford said if the industry steps back far enough it will see that China has reached the peak of its trade development cycle, following a path already forged by Europe and Japan.

"China has reached a normal stage in its development," he said. "If you put this into perspective, we are down to about 6% growth which is normal – I don't feel uncomfortable with this. The position in China is that the economy is in a transitional stage, with some growing pains."

Affinity managing partner, research Mark Williams joined Dr Stopford in the seminar on 'Changing Tides – the future of shipping'.

He raised a pressing concern of how the outcomes of the annual United Nations Climate Change Conference in December could affect shipping. "There's a strong chance that a carbon tax will come out of the COP21/CMP11 meeting to de-carbonise the global economy. The decisions made at this conference will directly affect how shipping operates over the next 20 years. We should expect these regulations will change the way our industry is fuelled."

Mr Williams also looked into the future to highlight other disruptive forces on the shipping horizon, highlighting the Internet of Things, LNG/dual fuel, carbon taxes, and telemetry. "The way we run the shipping industry will change enormously," he said.

SN

Institute scoops BIMCO education award

The Institute is delighted to announce that it has won the BIMCO Education and Training Award 2015 in recognition of its investment in new learning, growth in student and graduate numbers, and innovative teaching techniques.

BIMCO deputy secretary general Michael Lund explained the judging panel's decision: "BIMCO felt this award was deserved by the Institute because of its unique role; providing global, professional shipping qualifications, holding all students to an equally high standard, but ensuring no one is left behind."

For over 100 years, the Institute has occupied a critical position in the industry's maritime education arena. Its founding principle – to make education and qualification as accessible as possible – means that Institute members subsidise exams for students who would otherwise have no access to maritime qualifications. The Institute plays a unique role in the shipping industry, with deep roots in the City of London and a diverse membership in established and emerging maritime centres. Students anywhere in the world can sit its exams with the examination centre and an invigilator provided by the Institute.

On accepting the award at the ceremony in Hamburg, Institute director Julie Lithgow said: "I'm thrilled to receive this award on behalf of all the students and members of the Institute past and present. Institute students are a privilege to work with. They are exactly what our industry needs – smart, courageous knowledge seekers who have invested in obtaining professional qualifications and will in turn support learning by giving their time to the next generation of students." **SN**



Director Julie Lithgow collects the trophy

Longstanding fellow committed to hard work

Long-time fellow of the Institute, Captain James Ellis died this year at the age of 90. Jim was a valuable member of the Australia & New Zealand Branch and he placed great value on education.

Born in Nottinghamshire in 1924, Jim started his career in his father's road haulage business before joining the ship Vera Radcliffe in 1942 heading for Galveston, Texas.

He came to New Zealand in 1957 and joined the Northern Steam Ship Company in Auckland, where he eventually became managing director. Subsequent to that, Jim set up Air Marine Services, or Japan Marine Services; it was a risk at the time, but he was a man that believed hard work would lead to success.

He will be greatly missed. **SN**

An encyclopaedic knowledge of shipbroking lost

It is with deep regret that the Institute advises its members of the sad death of Mike Byrne after a battle with cancer. Mike was 77 years old.

Mike had been a fellow of the Institute for decades and was one of the founding members and the first chairman of the Australia and New Zealand Branch.

His efforts together with others in Melbourne, Sydney and Auckland guided the branch through the early years to become the credible association it is today in this part of the world. Among his many achievements was establishing the branch's Distance Learning Centre.

Mike had an encyclopaedic knowledge on people in the world of shipbroking and helped lead the charge for shipbroking in Australasia when this region was just a far outpost in the maritime world. He spanned generations with his knowledge and energy and will be reverently remembered for the huge contribution he made to the industry, as well as his mentoring of many people along the way.



Mike Byrne made a huge contribution to the world of shipbroking

He was greatly admired and respected within the maritime industry in Australia and New Zealand. **SN**

Open door policy at head office

The Institute is always delighted to welcome visitors to the office in London, especially fellows, members and students from all around the global who may be passing through London on other business.

Recently it was a pleasure to welcome Capt Samuel Olarewaju FICS from Nigeria who paid the office a visit while in London on other business.

Capt Olarewaju was earlier this year elected as vice-chairman of the West Africa branch and chairs the Nigeria chapter of the branch. It was fascinating to hear about the development and aspirations of the branch.

The office is always keen to meet members and hear first-hand what is happening in the branches and how best head office can support the branches and members.

Meeting members is definitely one of the highlights for the staff in head office.

The door is always open and Institute staff look forward to meeting members whenever they are in London. **SN**



Robert Hill welcomes Institute fellow Samuel Olarewaju

Promoting the Institute and arbitration



YK Chan presented a number of seminars in September

In support of Hong Kong's efforts to promote the special administrative region as a regional dispute resolution centre in Asia Pacific, Hong Kong Branch chairman YK Chan joined a HKI Arb delegation to attend the '2015 Taipei International Arbitration and Mediation Conference' in September.

He took the opportunity to promote the Institute's education programme and maritime arbitration in Hong Kong.

Mr Chan also delivered a lecture on 'Maritime Arbitration – from basics of arbitration law and practice to enforcement of an arbitration award' to practitioners and students of the Institute's training programme co-organised with Taiwan International Ports Corporation, in Taipei.

Later in the month, Mr Chan joined a high-level delegation of Hong Kong Government officials to Jakarta, Indonesia to attend a conference and deliver a seminar on 'Legal & Dispute Resolution: Key for International Trade'. **SN**

Sri Lanka fills regulation knowledge gap

A new regulation introduced by Sri Lankan customs has had a huge impact on vessel operations and revealed a gap in understanding of the new legislation.

The regulation requires that the export manifest submitted for vessel clearance must tally with the export Cargo Dispatch Note. As a result each and every shipment must be cross-checked manually to ensure the information tallies which causes a delay in obtaining vessel clearance. When this information does not tally export shipments are not allowed to be loaded.

The Institute's Sri Lanka Branch, after discussions with Sri Lanka customs officers, arranged a seminar on 'Avoid outward vessel clearance delays & manifest reporting complications' to educate exporters and shipping lines on how to positively approach the requirement.

It was a timely and well attended initiative by the branch. After the seminar, there was an interactive discussion between customs department officials and stakeholders. **SN**



Help to support exporters understand legislation



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The Secret Broker

No lights under bushels, please!

Is it a bird? Is it a plane? No, neither, in fact it's two young ladies dangling from two sky blue pennants hanging from the ceiling of the Grosvenor House Hotel Ballroom on Park Lane in London. But more of that later.

September and October this year offered many great opportunities in London for networking, almost to the point of exhaustion. With the absence of anything like the daily forum once offered by the Baltic Exchange it's becoming more and more important for all of us, and especially those at the beginning of their careers in our profession, to 'meet and greet'.

One should never decline an invitation; a chance conversation with a new contact could provide that all important piece in the career development jigsaw. Even today, despite all the hi-tech communication, shipping is still a very personal business forged on lasting connections and building a solid reputation. Personality counts more than is often realised - it's not easy to have a good laugh with a computer screen.

The key event in autumn was London International Shipping Week (LISW) which ran September 7-11. The stage was set from the start with more than 80 shipping-related functions, cocktail parties and seminars planned. The humble beginnings of LISW in 2013 became a distant memory with so much to hear and so many people to meet.

As always there were some notable absentees who, hopefully, had genuine reasons for a 'no show' and not due to pique or hubris. Nobody is too important or indispensable. Making enemies is the easy option in this world. The week offered a fantastic forum and should make us consider developing it to rival Posidonia & Nor-Shipping. We have every reason to make sure that London and the UK are considered similarly when it comes to portraying our achievements and putting on a shipping party.

The highlight of the week was the Gala Dinner at the Grosvenor House Hotel. With over 800 people in attendance it was the icing on the LISW cake. The recently elected new Lord Mayor of the City of London, Lord Mountevans, gave a well received and rousing speech, giving hope for greater recognition for the UK and London's shipping activities in political terms.

SCREEN SIRENS

This is where the dangling ladies come in. The party atmosphere was so distracting (maybe the wine had something to do with it also) that quite a few attendees were so engrossed watching the performance on the monitors dotted about that they almost missed the fact that it was a live show. Which sort of illustrates my comments about screen gazing. It's possible to miss reality.

A couple of weeks later I attended an IMIF meeting at which Foresight's Anil Deshpande gave the audience an insight into how 'real' shipowners evaluate projects and consider their next acquisitions. Such a refreshing change from the all too common 'J K Rowling' approach. As I've said before being engaged in the shipping industry involves risks but not necessarily adopting a casino mentality.

That same evening, I headed off to the Embankment for IMO World Maritime Day. There was more gold braid here than on a US Navy aircraft carrier presentation. However, yet again, it provided an excellent chance to meet interesting and influential people all focused on the shipping industry.

Early October welcomed Clyde's annual shipping party, closely followed by a Capital Link conference offering similar opportunities for positive networking. Of course the speakers at any Capital Link event are practitioners of the highest order and never fail in providing food for thought and further debate. But I have my doubts that any ship owner, in an open forum, when asked what he would buy next, would really proclaim his true belief. It would seem to offer the ideal platform for a bit of disinformation and to sell something.

Which brings me to the Institute's annual and main event: Trinity House and prize giving. Over 5,000 candidates sit the exams worldwide and it's on this day that their efforts are rewarded and recognised. I am very pleased to say that UK students were well represented with over 30% of the prizes going to them. Successful students attended from places as far away as Australia. I don't suppose the Rugby World Cup played any part in this? Pure coincidence of course.

In this respect I must mention 'our Julie', who is the UK WISTA Woman of the Year. Her hard work and dedication to the development of the Institute's educational side deserves praise along with the all the efforts of the rest of the team. Well done!

Sir David Steel provided all attending with some very interesting and amusing anecdotes from his long career. Dubai is a lucky place indeed to have such a character in its world tribunal. Such a presence also shows those starting their own voyages in life just what shipping offers. Being a member of the Institute, at whatever level, opens the door to a really fulfilling career and a life to go with it. So, take note, use the Institute, meet and greet at every opportunity. **SN**





the stern

DON'T BE SO QUICK TO SHUN EUROPE

The topic of whether the UK should drop out of Europe is a hot political potato in shipping circles, not least because there will be a referendum in 2017 to vote on that very issue.

How would such a move affect London's position as a global maritime services hub? Well, a new survey from Shipping Professional Network in London (SPNL) has found that London could strengthen its credentials if the UK remained part of the EU.

The survey, organised in conjunction with Moore Stephens, canvassed the opinions of young professionals working primarily in the shipowning, shipbroking, ship management, chartering, advisory and associated industries in London.

As much as 80% of respondents felt that it was in the best interests of London's standing as a global centre for maritime commerce for the UK to remain a member of the European Union.

Respondents were also asked for their views of the current state of the market, and how they believed it would perform over the next 12 months.

The answers revealed that demand trends, competition, and the cost and availability of finance were the three leading factors most likely to affect their business performance over the next 12 months.

Respondents were also asked for their opinion of likely rate movements over the course of the next year. Just over a third of respondents expected both tanker and dry bulk rates to increase.

Respondents also identified competitiveness, taxation and the ability to adapt to a fast-changing environment as the three leading challenges for London to remain a relevant global maritime centre. There was the suggestion that London should establish stronger partnerships with Asian maritime hubs such as Singapore and Hong Kong, to use as a springboard into the rest of Asia.

That said, there was a warning that the UK capital should control the flow of experienced people to Asian maritime centres as this will ultimately have an effect on its competitiveness of operating and employment costs. **SN**

THROUGH THE LENS – STACKING UP FOR CONTAINERS

Just in time for Christmas, shipping line CMA CGM has launched a neat wooden stackable containership toy to press the joys of shipping to a young audience.

Called 'My first containership', the toy was modelled on a large CMA CGM containership and will be distributed worldwide.

One wonders whether any of the containers are misdeclared or overloaded and whether there's the possibility of sinking if the stowage plan is not up to scratch? Now that would truly be an educational toy for shipping. **SN**



SOME THINGS ARE BEST KEPT AT SEA

A marine surveyor from Cape Town has shared a cautionary tale on why traditional seafarer tasks are best kept away from offices onshore.

The surveyor tells of a containership that arrived at port with a container stack leaning over at an alarming angle. The loading plan had been developed in an office ashore and there was evidently little thought given to ship stability. The ship had a metacentric height, known as GM or the righting moment, of close to eight metres.

The greater the GM, the faster the ship will return to an upright position, with a real danger of cargo shifting. The vessel in Cape Town should have had a GM closer to two metres.

Loading too much weight towards the bottom of the ship – so-called 'lazy loading' – will make a ship too 'stiff', meaning that sharp movements while underway will risk the structural integrity of the ship and the safety of its cargo.

Ship stability is an important part of a Master's qualifications and higher pass-marks are required for it in certificates of competency. Given that, doesn't it make sense that the Master is allowed to work his/her nautical magic to create a sensible and safer loading plan? Ultimately, it is a fact of life these days, that the Master will be blamed for any mishap, whoever compiled the loading plan. **SN**

SHIPPING SPEAK

“With a 43 year career in the shipbroking business, I know that **maritime** is one of the global industries where the UK **leads** the way, contributing £20bn to GDP and **supporting** almost half a million **jobs**. As a nation, we need to have a **better understanding** of this important sector, integral to the jobs and growth agenda,”

Jeffrey Mountevans lays out his plans as the new Lord Mayor of London

”

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