# SHIPPING Network

The official magazine of the Institute of Chartered Shipbrokers

*Promoting professionalism in the shipping industry worldwide*

**Issue 47 December 2016**


# New year, same challenges

## Still climbing the steep face of recovery

**Peak trade looms | Container commoditisation | Cyber transparency | Underinvestment risk**

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# Strong headwinds for the industry

Institute president Dr Parakrama Dissanayake discusses the challenges facing the shipping industry

**Dr Parakrama Dissanayake**

The shipping industry is going through a period of unprecedented crisis – its bad health shown most recently by the collapse of South Korean container line Hanjin Shipping.

It had been known in the industry for some time that Hanjin was facing financial difficulties due to prolonged years of low freight rates. Hanjin built bigger ships at a time the market was over supplied. Its investments were not justified by its earnings, and it suffered losses each year from 2011 to 2014 while trying to reschedule its accumulated debts, totalling $5.5bn by June 2016.

Yet the industry was complacent and believed that the world's seventh largest carrier, with 3% of the global market share, was too big to fail. It believed that Hanjin's main creditor and largest shareholder Korea Development Bank would eventually come forward and bail it out. But it did not and Hanjin collapsed with $14bn worth of cargo on board its ships, belonging to an estimated 8,300 cargo owners – evidence that the industry neither anticipated nor prepared for Hanjin's collapse.

Shipping lines seem to be fighting among themselves for market share to increase their revenue without any regard to the cost incurred. However, this cut-throat competition only leads to further aggravation of depressed freight levels, and makes it impossible to collectively implement effective rate increases. Such a strategy is doomed to fail in the long term due to the accumulation of financial losses, which, as the collapse of Hanjin shows, threatens survival of the company irrespective of its size.

> "The real need of the hour is for shipping companies to collectively approach market fundamentals in a disciplined manner, within the framework of anti-trust regulations"

Capacity growth continues to far outweigh demand, to the detriment of the shipping industry. At the recent Transport Practitioners' Meeting, shipping analysts estimated that by the end of 2017, there would be a 4% gap between supply and demand. A trade report issued by World Trade Organisation in September 2016 also indicated that growth in the volume of world trade is expected to be substantially low in 2016, at 1.7%, compared with the 2.8% increase registered in 2015. The forecast for 2017 has also been revised, with trade now expected to grow between 1.8% and 3.1%, down from the 3.6% previously projected.

The cost of regulatory compliance is putting further pressure on the shipping sector. The industry is being required to invest heavily in new equipment to comply with upcoming environmental regulations such as the Ballast Water Management Convention and the new global sulphur emissions cap. It has been estimated that retrofitting ballast water management systems will cost up to $5m per ship, and emission limit compliance in the region of $35bn-$40bn.

Credit: Travis Wise

**The Hanjin collapse showed that continued cut-throat rates are not sustainable**

Meanwhile, for global port and terminal operators, low return on investment is a growing issue, as operating expenditure continues to increase while demand remains relatively static.

## A collective approach

The industry is drawing on several measures to cope with the challenges it faces: the number of ships being scrapped is increasing and so too is the number of ships being laid up; container lines are slow steaming and cancelling voyages; and they are also undertaking mergers, acquisitions and alliances to consolidate resources and, subsequently, reduce costs, increase utilization and ensure disciplined capacity management.

But despite these measures, all segments of the shipping industry are expected to continue to see financial losses and bankruptcies.

The downturn of the shipping cycle experienced in the aftermath of the global financial crisis has yet to recover, which would have been expected by now under the typical eight-year cycle. Fundamentally, global trade and patterns are undergoing structural changes, lowering the potential for future growth of seaborne trade and leading analysts to warn that the 'typical' upturn cycle may be a thing of the past.

Therefore, the real need of the hour is for shipping companies to collectively approach market fundamentals in a disciplined manner, within the framework of anti-trust regulations. We face challenges, but they are not insurmountable and those that meet them head on will survive where others fail. **SN**

# An air of optimism?

With a theme of challenges, it wasn't hard to fill this issue of *Shipping Network*; potential writers were falling over themselves to offer up doom and gloom articles on today's shipping industry. With the collapse of Hanjin still front of mind, it seems there's much to say about shipping's lot at the moment.

From trade-related peaks, scams and cyber pitfalls to underinvestment risks, accidents and shipbroking transformations, the industry is not short of a challenge. Underlying it all is the bleak state of the global freight market and the affect that has on the psyche of the industry.

However, there is always something expectant in the air as any year draws to close and this year is no different. There is muted hope on the horizon for 2017, but importantly that hope is accompanied by a healthy dose of realism – something shipping has lacked for many years. There appears to be tacit acceptance that a recovery, when it comes, will be delicate and will need nurturing for it to blossom.

However, whether that thinking sticks when the markets really start to recover remains to seen. Will ship owners be able to resist the urge to place new orders for 2019 delivery at the first sign of sustained recovery? Will financiers be able to keep away from investing hard in the first flush of profits? The lessons of the past need to be remembered now more than ever to overcome today's challenges. **SN**

Carly Fields, FICS
Editor













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*Shipping Network* is the official publication of the Institute of Chartered Shipbrokers and is printed by Cambrian Printers, www.cambrian-printers.co.uk/.



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# Three peaks of modern day shipping

Olaf Merk sees the convergence of trade peaks on the horizon

**Olaf Merk**

Maritime transport is driven by what people consume, where things are produced and the energy that is needed for all this. In all three areas, we might be reaching a peak: shipping could be confronted with peak consumption, peak trade and peak fossil fuels.

Today, we buy less 'stuff'; instead, we buy the right to use stuff when we need it, and this means that less stuff needs to be produced and transported. Partly, this is a result of the changing form of our consumption, for example, instead of books we now have e-books, so there is more immaterial consumption. In 2015, e-books generated similar sales revenues to physical books. Instead of buying CDs, we buy access to an almost unlimited amount of music, via services such as Spotify and this trend is expanding to more and more goods.

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**Topic: Trade**

**Keywords: Consumption, demand, fossil fuels**

**Background: The industry faces the perfect storm of three converging peaks that could reshape shipping as we know it**

A substantial sub-sector in shipping is the transport of cars. Car ownership rates are declining and car-sharing is on the rise, with the number of car share users in Europe predicted to reach 15m by 2020.

We also buy more local product and produce. Local food markets have gained momentum in the US and elsewhere, leading to increased consumption of local food products. An example here is that 66% of the French population consume more local food products than they did five years ago.

In the examples given here, there is less need for trade and transport of food, paper pulp, cars and all kinds of consumer goods. If these trends continue and intensify, this could have substantial impacts for cargo transport. And there is reason to believe that such trends could intensify as some of these – such as the shared economy – are predominantly urban phenomena and the share of the world population living in cities is expected to rise to 70% in 2050, according to UN-Habitat.

## Peak trade

We might also be facing peak trade. We have reached the limits of global outsourcing, largely as a result of the changing face of the Chinese economy. The world's factory over the last few decades has now shifted gear from export-led growth to an economic model driven by domestic consumption, facilitated by increasing labour costs.

Credit: Kim Hansen Flickr 2009

**Renewable energy could make up half of the global energy mix by 2050**

The limits of the global value chain model seem to have been reached and 54% of US executives are said to be considering re-shoring some of their activities by 2020. Such re-shoring would be facilitated by technologies such as 3D, or additive, printing that promises production closer to major consumption centres.

According to a PWC study, 37% of ocean container shipments might be threatened by 3D printing. Such local production would need commodities, but in a scenario of circular economy, the need of primary material consumption in 2050 could be half of the current level, predicted a 2012 McKinsey study.

And onto our third peak: fossil fuels. Apart from the actual future availability of fossil fuels, the real constraint might prove to be the declining political and societal acceptability of these within the light of climate change. Various countries have committed to ending the use of fossil fuels and have started to close coal power plants. Coal consumption in the UK and France is 70% lower than in the 1970s.

According to the International Energy Agency, renewable energy could make up half of the global energy mix by 2050. Bulk carriers – carrying coal among other goods – and oil tankers represent an important part of the global fleet. More renewable energy will likely mean less maritime transport.

Shipping and ports both live in a bubble: there is huge overcapacity of ships and of terminal capacity and it might take a decade or more to reach a more balanced situation. The possibility of the three simultaneous peaks highlighted here should make anyone wary of adding even more capacity. **SN**

*Olaf Merk is ports and shipping expert with an international organization and the author of the Shipping Today (www.shippingtoday.eu) blog.*


# 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.

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# Too many missed opportunities

TBA's Mahim Khanna explains why containerisation has yet to reach its full potential

**Mahim Khanna**

This year will go down as the year of change in liner shipping. The arrival of ultra large container ships has been the catalyst for a large-scale shake up and positive consolidation of the industry. The scalpel has so far fallen on three of the top ten lines of 2015: both UASC and NOL had to be rescued from their debts through purchases by competitors.

**Topic: : Liner shipping**

**Keywords: Containerisation, ULCS, sustainability**

**Background: Container shipping may have reached a commoditisation stalemate**

While some benefited from white knights, Hanjin made a more spectacular exit when it applied for receivership in August 2016. The subsequent days and weeks were filled with turmoil: shippers with cargo on Hanjin ships faced extreme uncertainty as ports refused entry as worried creditors tried to get their hands on anything Hanjin related to claw back some of their losses.

The red ink is still flowing on balance sheets with the world's number one liner shipping company Maersk reporting a third-quarter loss of $116m in November. It now expects its full-year result to be significantly lower than the $1.3bn reported in 2015.

Over the years, liner shipping has become increasing commoditised. Lines have focused on economies of scale and lower cost, but overall, carriers have been unable to offer any real differentiation.

"Numerous studies have highlighted commoditisation as the bane of container shipping"

Numerous studies have highlighted commoditisation as the bane of container shipping. Bain Consulting referred to as "a commoditisation stalemate… even in the record earning year of 2010, carriers with higher service levels did not outperform the industry financially because they were not compensated for the higher costs and better value". Clarksons Research's Martin Stopford speaking at TPM in 2015 asked whether carriers will fulfil the promise of containerisation.

### End of commoditisation

Hanjin's disorderly demise has the potential to make a huge dent in this ever-increasing drive for commoditisation. How will Hanjin's exit affect global trade, when all participants have become accustomed to a standard, no issues, port-to-port service? How will trade and logistic managers respond? Will it hasten the exit of some other lines? What will the leader board look like by the end of 2017 and even 2018?

Credit: Maersk

**Ultra large container ships have encouraged positive consolidation**

More consolidation is inevitable, but perhaps more important is how the mindset of shipping lines and customers will adapt to these changes. For lines, there is now an opportunity to highlight differences in the current risky climate and a chance to extend their product beyond the standardised offering. Non-vessel operating common carriers have shown the way in this respect and technology may present new opportunities.

When Peter Drucker published his authoritative work 'The Frontiers of Management' in 1986, he argued that logistics was one of the last frontiers for top management. However, over the years, we have often seen shipping and related logistics become more of a procurement exercise focused on the lowest cost of the standardised commodity.

Shipping demand and supply fundamentals will remain skewed for the next two years as while lines may go under the vessels will mostly remain afloat. It will take real resolve from the lines to turn container shipping into a sustainable business and fulfil the promise of containerisation. If they manage it, this will benefit not only the shipping lines, but all industry participants be they ports, terminals, or freight and related industries. ***SN***

*Mahim Khanna is regional director at TBA, focused on port design, simulation and optimisation. Prior to this, he was director of operations for Maersk Line in Europe.*

# Challenge of keeping up with technology

BIMCO's Phil Tinsley explains how increased cyber awareness brings both opportunities and threats

**Phil Tinsley**

Some new buzzwords have entered the shipping industry's vocabulary, words that until recently had not been heard on board ships, in ports, in shipping company offices or in broking houses. These words – IoT (the Internet of Things), big data, cyber space and cyber hygiene – are now routinely slipped into conversations when discussing current and future threats to the shipping industry.

**1**

**Topic: Cyber security**

**Keywords: IoT, big data, risk**

**Background: Vulnerabilities need to be exposed if the industry is going to capitalise on the opportunities offered by technological advances**

Such threats, however, should not be taken in isolation, giving the impression that the industry is doomed. Future developments within the cyber world have the potential to bring efficiencies and improvements with cost and labour saving measures, greater safety and environmentally aware procedures, and more secure operations throughout the whole of the shipping industry.

The current reality is far from certain. Companies are reluctant to share information regarding cyber attacks on board ships for fear of reputational damage and, in some cases, the need to protect their brand integrity. This results in challenges for organisations like BIMCO, who are keen to assist the industry as a whole and ensure that preventative measures and adequate training are implemented to mitigate cyber security risks. It is a real challenge to identify the scale and type of threat unless the industry willingly shares its experiences. Even with the offer of full confidentiality there is still widespread reluctance to share incident information even to an impartial body such as BIMCO. Understanding the actual threat, how to deal with further attacks and prevent re-occurrence are a common theme throughout the guidelines published so far.

Cyber awareness from a security and a safety perspective can be developed through a stepped process as depicted in the diagram. Any one of the fins could be a starting point for a ship to begin their awareness campaign, even if it is due to an incident which requires a response. Learning from an incident and ensuring preventative measures are put in place reduces the risk from that threat re-occurring.

The *'Guidelines for Cyber Security Onboard Ships'* is a publication produced by BIMCO and partners, including the International Chamber of Shipping, Intertanko, Intercargo and CLIA. This document has been in circulation since the beginning of 2016 and has received support from many areas within the industry. Those companies that have studied the guidelines and put procedures in place have taken the first step towards protecting their assets against what is perceived as a growing threat. This

Shipping companies need to be able to understand cyber threats

Credit: Yuri Samoilov

protection starts at the very top and unless cyber security is addressed thoroughly at board level with time and money set aside for training personnel, ensuring operating systems are secure, measuring risk appetite and developing cyber resilience, the threat will not diminish.

## Full disclosure

When chartering ships to third party operators it is important to audit the operating systems that will be introduced on board; and the connections to shore establishments to ensure secure communications are maintained and to avoid infection by software bugs (malware) which may remain embedded in the ships operating system once the charter is over.

Marine insurers are now very much aware that cyber threats must be taken seriously. Cyber Attack Exclusion Clause 380 is currently a common agenda item in the boardrooms of shipowners and operators. This clause states a requirement for shipping companies to consider losses arising from computer use, computer systems or computer software. Failure to provide proof of mitigation and lack of cyber threat consideration could lead to insurance cover being voided in respect of future cover and subsequent claims.

The attitude that cyber criminals are only interested in big companies to extract the maximum possible payout is pure myth. Whether the criminals are activists, including disgruntled employees, criminals, opportunists or terrorists, their motive and objectives may differ considerably. The challenge for a hacker to attempt to gain control of a ship's operational system may be seen as just that - a challenge. He or she may not have any motive other than to prove it can be done.

How can cyber protection be enforced? Only by finding out what the vulnerabilities are through a third party penetration test, audit or an independent review, can a shipping company understand their vulnerabilities. Yes, this is an extra cost but is likely to save further financial losses in the future not to mention the reputational damage a serious cyber attack could have on a


company or shipping line. The question should be asked "Can we afford to do nothing?"

The future operational objective for ships and ports is to move into a more digitised arena with the development of paperless ships and fully automated systems. There will no doubt be development issues but there is an interesting lead from Danish shipping which has moved to digital certification of ships, transitioning from the traditional paper based system to using electronic certificates from June 24, 2016. This follows 100 Maersk Line boxships going paperless in late 2015 and will be an interesting keyhole to the challenges ahead.

## Complete connectivity

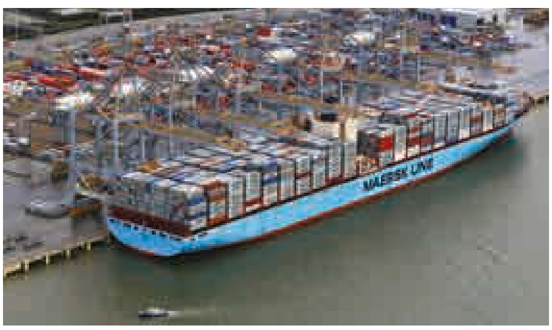
Shipping companies looking at future employment trends realise the traditional remote and unconnected life of seafarers will be overtaken by a requirement for shorter periods at sea and full connectivity at all times. The thought of being "unconnected" is a prospect that many within the younger generation would not contemplate within their job searches. The challenge for the future is to detach the operational technology from the information technology with separate secure systems and guaranteed communications.

The progress in navigational systems in conjunction with electronic charts, which will become mandatory in line with the requirements set out below, is recognition of the accuracy of and dependency on modern navigation systems.

Sceptics will argue that more electronic dependency increases the risk of cyber security breaches. The opposing argument is that this is a natural development within the industry which creates endless opportunities to be more efficient with resulting cost savings. As cyber awareness develops in the industry, measures must be put in place to develop security measures at the same pace that technological advances are made.

There are no short cuts to building up resilience, but with a clear review of procedures, equipment and the increased knowledge and awareness of personnel, these should be seen as important first steps. It matters not if readers are from an agency, brokering, chartering, insurance, or ship management background – the approach and measures should be exactly the same. If the industry as a whole can act together on cyber security and take unified action it will hopefully save organisations from suffering some of the financial losses, reputational damage, and loss of customer faith that a number of well-established businesses throughout the world have suffered as a consequence of cyber crime. **SN**

*Phil Tinsley assists BIMCO members with all aspects of maritime security, including piracy, drug smuggling, stowaways, mixed mass migration and cyber security. Prior to pursuing a career in maritime security, Phil was an officer in the Royal Marine Commandos, attaining the rank of Major after 31 years of military service.*




**A total of 100 Maersk Line boxships went paperless in late 2015**

"Even with the offer of full confidentiality there is still widespread reluctance to share incident information even to an impartial body such as BIMCO"

# Looking at the bigger supply chain picture

Felicity Landon considers the long term implications of underinvestment in infrastructure

**Felicity Landon**

A ship arrives on time, the container moves through the terminal efficiently and is loaded on to a truck, and the truck leaves the port in good time. But then, two miles down the road, the truck regularly grinds to a halt in congestion.

"Then the efforts to date for an efficient logistics network are almost wasted," says shipping consultant Dean Davison. "It's tough when there are so many different moving parts, each under different control. To some extent, a business can only control certain aspects of what it does – so, for a port, it can control the quality of the operation, staff training, equipment being used, etc. It has less influence over what is happening five or ten miles down the road."

**Topic: Infrastructure**

**Keywords: Supply chain, bottlenecks, investment**

**Background: Development of onward modes of transportation from ports is lacking in many parts of the world**

Mr Davison, who was recently appointed general manager for Inchcape Shipping Services' consulting and commercial advisory services, says that ports may be looking to invest in facilities and infrastructure where they can – deepening channels and berths, adding new equipment, adding more space – but beyond the port boundaries, the situation is different.

"It is known, for example, that the US needs to invest heavily in its infrastructure – bridges, the interstate network, other roads. These are all key parts of the transportation chain but probably aren't seeing the same sort of investment as ports and marine facilities. I am sure other regions are seeing a similar story with any investment in ships, ports, rail, distribution centres, and so on, not being matched by investment in the key components that help facilitate, such as bridges and roads. This is creating congestion," says Mr Davison.

*"Key parts of the transportation chain probably aren't seeing the same sort of investment as ports and marine facilities,"*
*Dean Davison, Inchcape Shipping Services*

Credit: WSDOT

**The US needs to invest heavily in its infrastructure**

"I suspect 'patching' does occur but it is obviously only a short-term fix. It's a bit like the Bayonne Bridge – the 'patch' was ships having to use retractable masts because the bridge was too low. The solution – raise the bridge. And it had to happen."

The supply chain is notoriously fragmented anyway – but even a door-to-door service provider has no control over the lack of funding in a road network around a port it is using, he points out.

It's true to say that it isn't necessarily all about speed of delivery these days but about confirmed delivery, or reliability. "But it still has to be in a certain place on a certain day – particularly in the peak season build-up.

"It is frustrating that a container could move hundreds or thousands of miles but it could be the final two to three miles where all the good work to date has been almost in vain. But on a national level, and on the political side of things, where do you invest the money? If a bridge is in danger of falling down, whose responsibility is it? It is part of the transport chain and the logistics process, but who is going to take responsibility?"

## Underinvestment

Professor Gordon Wilmsmeier, chairman of the Port Performance Research Network (PPRN), says we should be concerned about investments across the ports sector more generally.

"People are holding back on investment," he says. "For example, in Latin America a lot of concessions are coming to their end in the next few years. The big question (for those holding concessions) is – do I now invest for the next three to five years, or do I hold back and see if my company gets granted another 20 years of concession? This is all to do with the life cycle of concessions – I think it is a time when people are very careful and we see this as a global issue.

"There is stagnation in terms of container throughput, so what are the throughput figures going to be like? Over the past few decades, the figures were usually heading up but people are not very sure of upward movement any more. If they invest, how long will it take them to get a return on their investment?"

Prof Wilmsmeier says that in earlier years, terminal operators taking on a 20-year concession could be confident of growth levels that would enable them to recover their investment pretty quickly. "Now you would probably need the full 20 years to get that return on investment, so the amount of money you make might be rather limited."

At the same time, the public sector has to a great extent pulled back on investment and left it to the private sector to sort out, he adds. "And in the current climate, the private sector will be very careful about where to put their money and how."

## Life cycle

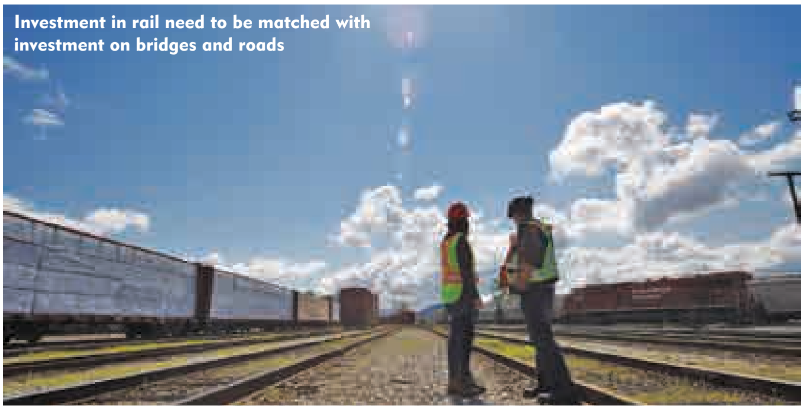
Apart from concessions, there's also the challenge of a good deal of port infrastructure reaching the end of its life cycle after perhaps 150-200 years, he says. "Traditionally ports were built in city centres. Completely new ports are now needed, potentially outside their historical area in the city. It isn't only expanding terminals and buying new cranes – it is a question of new breakwaters and also the road and rail links to the hinterland. All of that might have to be taken care of, so then it becomes a more complex issue."

Prof Wilmsmeier, who is based in Chile, says there are plenty of new port and project ideas in the region – but a question mark over where the money will come from. That's even more of an issue in countries where there is a rapid turnover of government and income from tax revenue is relatively limited, he says. "These ports were originally built in a different economic and investment context. Where do you get the investment from now? We are now at a critical point."

He believes competition could become a casualty of the present climate. "If you have a market that isn't growing at a significant rate, how can you maintain competition? Adding another terminal to a port could just mean smaller volumes have to be shared by two. The complexity goes further because the global terminal operators have spread across the world and are now very active even in smaller terminals. There is a potential mismatch of the local port authority granting the concession and the terminal operator that has income or revenue many times that of the port authority. What about the equilibrium of powers? It's impossible to regulate.

"The terminal might say it will invest if the authorities put a road in, but then the national government doesn't do the road. If a concession falls through and there are fines for the terminal operator, what seems like a high fine for the port authority may be peanuts for the terminal operator. You cannot be sure that everybody is pulling on the same side." **SN**

"If the lack of investment continues for too long, then you may not have enough capacity, simply because people became too cautious,"
*Neil Davidson, Drewry*



Investment in rail need to be matched with investment on bridges and roads

Credit: Vancouver Port

# Facing an imperfect future

Plenty of greenfield port projects have been shelved or put on ice and all the operators are being a little more cautious about investing in developments, 'from a sensible financial perspective', says Neil Davidson, senior analyst, ports & terminals, at Drewry.

However, that could create problems in the future, he warns. "If the lack of investment continues for too long, then you may not have enough capacity, simply because people became too cautious. Even if you then identify the need for more capacity, it takes at least three to five years to get something in place."

Terminals are under price pressure from their shipping line customers while facing the higher costs of handling the larger ships, says Mr Davidson.

Meanwhile, many shipping lines that were promising ten years ago they were going to be full logistics providers, providing shipping, transport, distribution inventory management and 3PL, have pulled back from supply chain activity to focus on running ships, he says.

"There isn't the overriding view of the supply chain that was promised ten years ago. Those that might have some kind of overview, such as forwarders and logistics providers, don't tend to invest in hard assets. They buy services from others, whether it's warehousing or shipping. It's the age old story of the supply chain being a complicated mixture of parties in different parts of the chain with different motivations and aims."

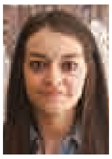
Yes, IT and better communication and exchange of data can help smooth the flow of cargo, he says.

"But you can never have this all-encompassing knowledge that allows you to see all the weaknesses and inefficiencies in the system. That is too much to ask.

"The hard reality is concrete and cranes and finite physical resources. There are different ways of making better use of physical resources – simulation, systems, clever stuff – and that is great. But if you only have ten cranes, you only have ten cranes." **SN**

# Combating fraud and corruption

Lara Shingles examines the rise of duplicitous behaviour in the maritime industry



**Lara Shingles**

Maritime fraud and corruption is becoming more and more commonplace. Not only are criminals turning to new, higher-tech methods, but also shipping companies are adopting new technologies that can leave them extremely vulnerable to unwanted interference.

**Topic: Crime**

**Keywords: Job seekers, vulnerabilities, security risks**

**Background: Those seeking employment in shipping need to be vigilant to fake and misleading job packages**

Further, shipowners, under increasing pressure to win business in a dire freight market, may be tempted to disregard due diligence when dealing with new business partners, leaving them just as vulnerable to tried and tested attempts at fraud as they are to newer methods.

Fraudulent bills of lading, for instance, have been at the heart of an increasing number of cases of fraud for many years. But the development of technology has introduced a more modern channel for criminals: fake websites.

Fraudulent recruitment agency websites and, subsequently, fake job advertisements, have become increasingly common in all industries, including the maritime industry, much to the despair of young candidates looking to make a career in shipping.

## False promises

In the last 12 months, SAFERjobs, a joint law enforcement and industry non-profit organisation tackling the issue of jobs scams, has provided expert advice to more than 700,000 job seekers, hit by in excess of £500,000 in job fraud.

Such fraud usually includes obtaining a candidate's personal information including bank details, and sometimes even their passport and seafarers' certificate. Plus, charging huge amounts of money for job placements that don't exist.

"The world of work spans millions and millions of people, and this is causing heartache, stress and emotional hurt for job applicants on a daily basis"
*Keith Rosser, SAFERjobs*

But why are these scams still so easy to pull off? According to Keith Rosser, chairman of SAFERjobs, technology has become a scammers' best friend. "More people now do their job seeking solely online, which makes it easier for fraudsters to commit these crimes via technology," he says.

"The other thing we've seen happen in the last 12 months is that social networking and professional networking sites mean that people who aren't even looking for jobs have got their career profiles online for all to see. And what we're finding is that fraudsters are even becoming head-hunters, so they're finding people and then creating a fake job that meets their profile."

As fraudsters become smarter in the way they're using technology to carry out scams, it's becoming more and more difficult for not only candidates but anybody with an online presence to know who to trust.

Added to this, fraudsters are using high quality websites, newspaper adverts and fictitious addresses in order to appear legitimate, laying a trail through several countries to confuse jurisdiction, or hiding their location in a country where the authorities either don't care or will turn a blind eye. The fraudsters behind these websites, profiles and advertisements are also easily able to change their company names and email addresses from one week to the next.

One tell-tale sign that a job offer might be fake, however, is the quality of documentation, says Mr Rosser. "Does the grammar and branding look right? And, if you're at the stage when contracts are being sent through, do they appear as you would expect them to?" he asks.

Another quick and easy way to check if a job offer is fraudulent is to find the website of the employer that supposedly is recruiting and call the HR department to make sure they are advertising the said job, he says.

It's also important to speak to somebody over the phone or in person, not just via email, says Mr Rosser: "If the only contact you've had with this so-called employer is via email or social networking sites, be cautious."

Additionally, he says: "The moment you're asked for money, you should become sceptical."

## Bearing responsibility

Steve Yandell, research officer for ITF Seafarers, would like to see more done at a higher level to combat fraud in the industry, and calls for "international action" against the issue. "The world of work spans millions and millions of people, and this is causing heartache, stress and emotional hurt for job applicants on a daily basis," he says. "We think it's reached such an extent that the International Labour Organisation (ILO) should be taking some action now.

**Scams are becoming increasingly common in shipping**

"They could issue international guidance which advises people on how best to look out for this sort of thing. For example, the basic need for job applicants to check that they are looking at official websites of companies and running a simply search next to the supposed name of the company."

He adds that the potential is there for the ILO to have a well-funded international criminal investigation unit with proper sentencing as a real deterrent.

"The ILO should be making this a real priority now," he concludes.

The shipping industry is also no stranger to corruption. As a global industry, it faces multiple layers of integrity risk such as facilitation payments either in cash or in-kind benefit, as well as different cultures and systems that may exist in ports around the world, says Sam Megwa, chairman of the Maritime Anti-Corruption Network (MACN).

"It's a major problem, and it's one that, because of the nature of the trade, is difficult to avoid," he says. "The best course of action for us as an industry is to tackle corruption by meeting it head on and addressing the issue and its underlying causes.

"Of course, addressing this at one port does not mean that the same problem will not be encountered at the next port you call at because, again, shipping is a global trade, so there is a need for us to be resilient and have systematic ways of dealing with corruption in our operating environment."

MACN has built an industry-wide compliance culture and

Credit: Marcel Crozet, ILO

**Seafarers are being targeted for job-related scams and fraud**

model that can be replicated by other industries and joint initiatives to better embed compliance in the operational and commercial activities that drive the shipping industry.

Its compliance standards tackle bribes, facilitation payments and other forms of corruption by developing and sharing best practices with companies so that they are in a position to safely say no, and by collaborating with key stakeholders to develop sustainable solutions and collective action programs.

## Just say no

MACN also launched an official 'Say No' campaign in the Suez Canal that is gradually bringing about improvements in the compliance culture as experienced by its members, says Mr Megwa.

"Based on feedback and data MACN has collected from members in the campaigns, some are experiencing less frequent demands," he says. "The captains are finding it easier, and are becoming more and more comfortable to say no in a safe and compliant way. Also, the officials themselves, knowing that the answer is going to be no, are also becoming less demanding and aggressive."

Mr Megwa says that any progression towards a maritime industry that is free of corruption relies on three things: awareness, commitment and true dialogue.

MACN has issued a rallying call for the industry to come together and work collectively with governments, business and local authorities to address the problem of corruption: "We need to find a way to work together to bring an end to corruption. Therefore, our focus needs to be on going after those low-hanging fruits and finding solutions for them."

At the same time, Mr Megwa says that the industry needs to be unafraid to approach more difficult situations with governing bodies. "It's a political minefield," he says. "It can be quite a difficult thing to go into somebody's office or area to talk to them about corruption, but we have to be able to engage at all levels to address the problem." **SN**

# Cargo handling accidents wholly preventable

TT Club's Peregrine Storrs-Fox asks how the industry can address the problem of worker incompetence

**Peregrine Storrs-Fox**

TT Club occupies a prime position from which to identify the primary causes of risk and to advise on how such causes can be avoided or mitigated. The latest results of an extensive and on-going analysis of the Club's claims data for example has shown that 71% of the cost of claims from port and terminal members result from incidents of an operational nature and a further 15% from poor or insufficient maintenance. As only 14%, the remainder, arose from weather or related to natural causes, it can be said that human error accounts for the vast majority and, therefore stricter attention to safety procedures, maintenance and training could reduce accidents significantly.

**i**

**Topic: Incidents**

**Keywords: Risk, claims, safety**

**Background: Accidents in ports and terminals can be reduced with better focus on maintenance and training**

The smooth flow of trade is of global concern. The interconnectivity of commercial activity is fundamental to the well-being of the world's economy. Modern day supply chains of raw materials, energy resources and manufactured goods are long and complex, which makes them vulnerable to disruption and breakdown. The handling of such trade at ports is clearly a vulnerable link in these supply chains and improving risk management here will reduce accidents and help avoid disruption.

"Personnel on site are both an operator's strongest and yet also its weakest link"

TT Club's analysis shows the largest operational risk relates to collisions, of quay cranes with ships or container stacks, lift trucks and yard cranes with other pieces of machinery or stacks and with other vehicles, and, more seriously, with terminal or third-party workers.

Much can be done to prevent such collisions. There is a selection of effective laser crane boom anti-collision sensors on the market. Where installed professionally and maintained correctly there have been no known subsequent incidents involving quay crane booms colliding with some part of the ship.

In the terminal yard, automated stack profiling systems are also available, which would preclude some of the claims experienced by insured operators. Simple one-way traffic flow lanes and well-marked pedestrian walkways would equally reduce those accidents involving bodily injuries to employees and third-party contractors or truckers.

For example, in the case of a rubber-tyred gantry crane (RTG) colliding with an object or person in the near vicinity, anti-collision sensors are available. Typically, these cover a minimum of two detection zones in the direction of travel of the crane. If an obstacle is detected in any of the zones, either a slow-down warning to the operator will be triggered or, if the obstacle is closer, an automatic stop will be activated. Detection zones should also be designed for pathway and cross-travel anti-collision eventualities. At least annual testing of the stopping distance should be incorporated into the maintenance regime.

## Key takeaways

Turning to theft and its prevention, TT Club has found that theft from premises, either those of the insured party or their contractor's, accounts for over 60% of the total theft claims. Further analysis of these cases has showed that the majority result from an internally organised activity involving security, customs or employed staff, with only 7% coming from break-ins.

While physical security protection, such as better fencing or CCTV monitoring, is important, reliance on electronic communications exposes all businesses to cyber crime.

A combination of physically secure facilities and equipment, rigorous procedural checks and well-trained, well-motivated employees will go a long way to minimising losses of this nature. Indeed, thorough staff or contractor selection procedures are critical – personnel on site are both an operator's strongest and yet also its weakest link. There is also a significant need for management to assess and mitigate the threat of cyber crime activity.

With regards to the risk posed by fire, experience shows that while the number of fires in port and other cargo handling facilities may be low, the cost of losses can be extreme. Incidents range from a total loss case comprising building damage amounting to $70m, contents to the tune of $135m destroyed and handling equipment an additional $2m, to a more modest claim totalling $8m, 25% of which was for business interruption. Some independent assessments point to up to half such fires being started intentionally.

Simple housekeeping steps can prevent arson attacks. Site security, access control, ID checking and vetting of employees all can be helpful in reducing the risk. Unauthorised access through a broken fence and the ready availability of fuel sources such as wheelie bins, pallets etc can preclude casual opportunities. Further, the degree to which the fire takes hold may be determined by inaccessibility for fire services, due to imprudent use of defined spaces for storage.

"There is one thing that has revolutionised fire investigation and mitigation – CCTV"

There is, however, one thing that has revolutionised fire investigation and mitigation – CCTV. It has been proven time and time again to aid the reduction of fire losses.

## Dangerous cargoes

Alarming and damaging explosions, leading to extensive fires at both ports and on board ships, have recently re-ignited concerns about cargo misdeclaration and poor packing.

The impact of the explosions at Tianjin in August 2015, leading to an estimated property loss of between \$2.5bn and \$3.5bn, and approaching 200 fatalities, is salutary. The official Chinese report speaks of the destruction of over 12,000 vehicles and 7,500 freight containers, together with significant further damage up to 5 km away. These blasts should be seen as a spectacular example of why those operating throughout the global supply chains should examine their work practices and risk procedures more thoroughly.

The nature of most of these cargo-related fires in port areas and on board ships amply demonstrates what TT Club describes as 'adjacency'. This is the risk arising from one package within one transport unit amongst some kind of storage area. Where such a package is or becomes dangerous, whether or not appropriately packaged, declared, packed and secured in the transport unit, the proximity to other cargo and units may lead to a catastrophic consequence.

It is clear that cocktails of chemicals can be extremely potent, individually and in combination; it is equally true that many inert cargoes are capable of burning fiercely. Thus, while the ignition, intensity and longevity of a fire may be directly influenced by the type of cargo concerned, the totality of the devastation and consequent economic loss, in risk assessment terms, needs to take account of the uncertainties inherent in the unit load industry. The huge benefit derived through the concept of utilising standard sized units to enclose diverse cargoes is undermined by the unknowns of content and condition in any given box.

## Packing inadequacies

TT Club has repeatedly publicised the generic risks arising from poor and incorrect packing practices, finding consistently that about two thirds of insured cargo damage claims can be attributed to such issues. The overwhelming concern is that the level of compliance with the mandatory international law is insufficient to preclude incidents. Greater focus should be addressed to training and competence, together with engendering behavioural change.

At their heart, trade facilitation and efficient global supply chains rely on the operation of good faith, requiring the competence of each stakeholder. The explosions at Tianjin should be a rallying call to improve cargo handling practices, reducing risks to people, and maintaining the integrity of cargo and transport infrastructure. ***SN***

*Peregrine Storrs-Fox is TT Club risk management director at Thomas Miller & Co.*

Credit: Mr Thinktank

**Goods need to be clearly and accurately labelled**

# Evolving role of specialist brokers

Niche shipbrokers need to adapt in order to survive in the future, finds Lara Shingles

**Lara Shingles**

Multipurpose and heavy-lift brokers face a myriad of issues, issues that are being exaggerated by weak freight markets. In his award-winning paper on *The Role of the Shipbroker in the Breakbulk, Multipurpose and Heavy-lift Shipping Sector*, shipbroker Tim Polson highlights a number of those challenges, starting out with the fact that shipowners and charterers are actively seeking to cut out brokers.

**1**

**Topic: Broking**

**Keywords: Capacity, capability, culpability**

**Background: Shipbrokers in specialised trades need to question their traditional modus operandi**

Indeed, there are several multipurpose shipowning and managing companies that have their own in-house chartering teams which market themselves directly to charterers. Similarly, there are project forwarding companies that also have their own international chartering teams and are, therefore, fully capable of working directly with others.

"There is no space for a broker in this equation," says Mr Polson. "If a shipowner's dedicated chartering team are seen to be using brokers, their management will begin questioning their value. And, from a charterers' side, if an individual or team are employed to charter vessels based on their knowledge of the market and relationships with shipowners, using brokers also detracts from their value in the eyes of their employer, he adds.

**Brokers dealing with multipurpose and heavy-lift ships need to evolve in order to survive**

"So, while many would say it is the influence of cost that threatens the existence of a broker, this is in many cases incorrect."

Certainly, a shipowner's annual commissions payable to a broker may be just a fraction of what it costs to hire a dedicated chartering employee, let alone an entire team. The main issue appears to be control, says Mr Polson: "Many owners and charterers alike cannot seem to be able to put faith in a broker to keep their interests in the fore the way they can with their own in-house teams."


## Keeping control

Miscommunications, miscalculations, and keeping shipments under control are three things brokers must also overcome if they are to thrive in today's industry, says Mr Polson.

"One of the broker's most important roles is providing flawless attention to detail. Unlike accounting, finance or other such professions, there are often no checks or balances in place for a broker.

"There are basic procedures in place, but it is simply impossible to have systems or standard operating procedures when the range of shipment types is so diverse. It would be a matter of almost rewriting every procedure for every individual shipment, which of course would take up valuable time and resources, which should be spent executing the shipment effectively."

Of course, this leaves the broker in a precarious position. They cannot act outside of their authority. If they do, they become fully liable for whatever happens as a result, which in many cases is not an insurable situation.

Similarly, Mr Polson says that often a disaster situation will be out of the broker's, or anyone else's, control. Nonetheless, parties will be looking for somebody to point the finger at and hold liable for losses.

"Even though a disaster may not be the broker's fault, if they do not act carefully and in a timely manner, they can lose control of a situation and start to become the cause of the problem getting considerably worse," he says.

## Change to succeed

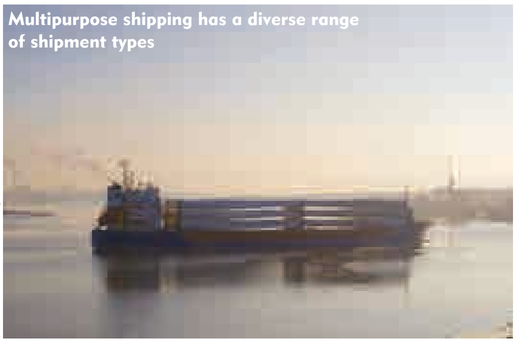
Like any go-between, charterers and owners and respective parties are happy for brokers to exist so long as they are adding value. If either the charterer or the owner find a way to create the same value without the need for the broker, the broker's role is put at risk.

It is imperative then that multipurpose and heavy-lift brokers continue to evolve in order to survive. One way to do this is by making better use of online tools, says Mr Polson.

Thus far, the main benefit of online tools has been to speed up the research and communication processes – a trend Mr Polson says is likely to continue.

"There has been a rise of solely online-based brokers in the multipurpose and heavy-lift industry in Australia, but so far none have gained any significance nor have they been known to fix any shipments whatsoever," he says. "While this model may work for basic bulk or liquid cargoes where very little technical exposure is required, it is unlikely that anyone would trust a company with no fixed address to handle risky and technically demanding shipments."

He adds that the popularity of online portals will no doubt affect the role of the broker more and more. LinkedIn, for example, has gone from being an online business card to a place where industry representatives organise events, share opinions and even discuss upcoming projects.



**Multipurpose shipping has a diverse range of shipment types**

Credit: Neil Tackaberry

"A broker needs to have their LinkedIn profile up-to-date, and actively contribute to discussions in order to build their online presence and show others that they are involved in the industry on a day-to-day basis.

"The older generation and many industry stakeholders may not take LinkedIn seriously yet, but there is no doubt that it will contribute more and more to the broker's role in the future."

So too will Australia's ProjectConnect and similar portals, he adds, where large organisations including national governments release tenders; Facebook, where many companies now host their home pages; and AIS/marine tracker sites, which now allows people to track where a ship has been and, in many cases, where it is going.

As this information becomes increasing 'available' in the future, brokers need to "stay ahead of the way, make sure they are better informed than charterers and shipowners, and ensure they do not provide information that contradicts information that is available online", says Mr Polson.

Brokers should also consider using online tools to streamline their workflow and reduce costs, if they aren't doing so already, he says. For instance, using Dropbox to share files with others instead of via several emails; video conferencing to discuss or share operational and technical details; Skype to make international calls; and WhatsApp to send text messages.

## Build and maintain

Doing business face-to-face enables brokers to maintain strong relationships with shipowners and charterers and, subsequently, remain a valuable and successful part of the trading process. However, a broker needs to be efficient with these activities in the future as parking, fuel, car ownership and time itself become increasingly more expensive.

Due to their expertise in the shipping trade, brokers have also more commonly been employed as consultants working on behalf of engineering, procurement and construction (EPC) companies or even infrastructure projects directly. This is a way brokers can flatten out the peaks and troughs in the market, says Mr Polson.

"For example, while a lot of projects are in the construction phase, the broker will be very busy doing their job of fixing and executing shipments," he continues. "However, these projects take several years to plan before construction begins, so in a trough where not many shipments are taking place there may still be significant amounts of planning activity happening behind the scenes."

He adds that with the trend of large modules being built offshore, the shipping component is very important to the EPCs and project owners so they are often happy to pay considerable sums of money to employ experts to assist with planning. These include multipurpose and heavy-lift brokers.

There's a lot to be said for collaboration too. "Trying to survive solely as a competitive broker in this day and age is near impossible," says Mr Polson. "The broker needs to associate themselves with one or more shipowners so they have a strong product to offer. And, in the value chain, they may even wish to associate themselves with one or more port agency companies."

The role of multipurpose and heavy-lift shipbroker has developed from doing deals around the table in a restaurant to being a master researcher, networker, workflow manager and technical adviser, while still needing to do business around a table at a restaurant efficiently from time to time.

As a result, brokers need to take on more roles, learn new tasks and provide increasingly better value propositions for shipowners and charterers if they are to continue to add value and remain successful in the future. ***SN***

## "Brokers need to stay ahead of the game, make sure they are better informed than charterers and shipowners, and ensure they do not provide information that contradicts information that is available online"

Tim Polson MICS, a shipbroker with Australian Independent Shipbrokers, won FONASBA's 2016 Young Ship Agent or Broker Award for his thesis-standard paper *The Role of the Shipbroker in the Breakbulk, Multipurpose and Heavy-lift (MPP/HLV) Shipping Sector*.

The paper, which analyses the unique role of a shipbroker trading in a small niche market within the multipurpose and heavy-lift sector, recognised the need for brokers to develop their services to continue to add value and remain successful in the future.

Chairman of the Review Committee, former FONASBA president and honorary member Gunnar J. Heinonen, said the paper was "incredibly well written", adding that Mr Polson showed a good appreciation of the cargo and ship board operations relevant to the multipurpose and heavy-lift sectors, as well as in-depth knowledge about the relevant ports.

"Furthermore," he said, "he has recognised the need for the broker to maintain the core values of trust, integrity, authority and market intelligence, while at the same time seeking to expand on a range of services provided to the principal." ***SN***

**Tim Polson MICS**

# Real victims of the market downturn

Mission to Seafarers' Revd Dr Paul Burt highlights the challenges seafarers face in the Middle East Gulf

**Revd Dr Paul Burt**

In the steamy heat of summer in the Middle East Gulf air conditioning is essential if crews are to survive the rigours of living and working in such conditions. But the crew of a ship at the anchorage off Ajman in the United Arab Emirates found themselves relying on air conditioning in an even more basic way than usual: they were reduced to drinking the water that is a by-product of the air conditioner's condenser as it dripped off the casing.

**i**

**Topic: Seafarers**

**Keywords: abandonment, welfare, support**

**Background: Too many seafarers have been deserted by their ship's owners in the region**

The ship had been without supplies for more than two weeks; the agent had not been paid by the owner and the owner was in financial trouble. So, the men on board had nothing to keep them alive apart from licking up the water from the air-conditioner and the few fish they could catch.

When the young men of this crew left their homes in Sri Lanka to work as seafarers on board a big ship they were full of hope, and pleased to have landed jobs that meant they would be able to send home significant sums of money to provide for their families. Some months later they were reduced to living like beggars, trapped on board a ship which was to all intents and purposes abandoned.

In Ajman port, we watched as a truck load of supplies was manhandled onto a small all-purpose supply boat. We had chartered the boat, ordered the food and water and we were now going out into the anchorage to deliver the emergency supplies to the crews of five ships. As well as the Sri Lankans about 20 Filipinos were also surviving on fishing and the occasional delivery of meagre supplies from a good-hearted agent. Perched between dozens of boxes containing 2 litre bottles of water, cartons of frozen chickens, trays of eggs, sacks of rice, and boxes containing various sorts of fruit and vegetables we wondered what sort of psychological condition the men would be in.

On one vessel, the crew had not received any salary for over a year. Most of that time they were stuck in the anchorage with no means of helping themselves get out of the trap they were in. They made an SOS call to Mission to Seafarers UAE on a phone that had almost no charge and no credit. A couple of weeks earlier they had made a desperate attempt to force a resolution of their predicament by taking the vessel into the port, but the harbourmaster refused to allow them to tie up and sent them back out into the limbo of the anchorage.

**Rev Nelson Fernandez on the *Jonny* at Ajman anchorage in the UAE**

"Ships' crews are victims of widespread ignorance and indifference"

## Desperate pleas

When our little supply boat drew alongside it was clear that the men were in a poor state physically. Their clothes were dirty and ragged and the vessel was rusty and unloved. Yet the men were remarkably resilient and very pleased to see us and the desperately needed supplies. Unloading was a precarious operation as the swell toyed with our little supply boat. Throwing frozen chickens up onto a ship in the hope that the crew would catch them and not drop them into the sea seemed a faintly surreal way of being a MtS chaplain.

One of the men clambered down onto our little boat so that he could plead with us face to face. "Sir, please take us with you to the port. We have been here so long. We cannot survive out here much longer." It was not easy telling him that we could not smuggle him and his crewmates past the watchful eye of the coastguard.

As the powerful outboard motors of our little boat took us away from them on our way to the next ship they lined up on deck to wave goodbye, managing to raise a smile or two as we disappeared into the distance, waving in return. Our work on their behalf would resume the following day – calling the owner to persuade him to take responsibility for these men and their livelihoods, to say nothing of the dozens of family members in the Philippines suffering along with them.

As the effects of cheap oil become more and more apparent in the offshore sector of the shipping business the human cost in the industry becomes ever clearer. Offshore supply boat operators have cash flow problems and not enough work to generate income. The first people to feel these effects are the crews, whose salaries are either reduced, or in many cases, suspended.

We were delivering emergency supplies to five ships, but there was no doubt in our minds that on board several of the other 70 ships in the anchorage similar desperate conditions were being experienced. We expect to be making such supply runs on a regular basis until market conditions for offshore oil improve.

As we made our way back to port our little craft was empty apart from us and our two-man crew. Twenty two knots over the waters of the Arabian Gulf creates enough slipstream to give the impression that it's not really that hot after all. But as we tied up back at the fish market wharf in mid-afternoon the Arabian summer heat was undeniable. For most of the men that we had seen on those ships in the anchorage a breezy transfer to land is a fantasy mirage. The crushing reality of the summer sauna is all they can expect, until we can somehow broker their release.

## Challenges of seafaring

Working at sea has always been a challenging occupation. Today, and especially in the current commercial climate, the biggest threat to the well-being of seafarers in the waters of the Gulf is abandonment. It is extremely difficult to get an accurate figure, but my guess is that ship losses, ships getting stranded, and ships disappearing never to be heard from again are rare occurrences in the Gulf today. However, abandonment is probably about the same as it was in the 1850s – or perhaps even worse – with one every 75 hours.

At our Dubai office we receive, on average, desperate calls from abandoned ships at the rate of about three or four a week. On one day in 2015 I took calls from four different ships – all of them abandoned in local waters. In another case, we fed, watered and acted as advocate for a crew whose abandonment stretched to over two and a half years before we could broker their release and repatriation. The current high incidence of abandonment in the Gulf, and therefore of human suffering, can be put down to what might be called the perfect storm of brutal market conditions on the one hand and cultural indifference on the other.

The market conditions for shipping globally are tough, as we know. With so much shipping activity in the Gulf being part of the offshore oil industry the low oil price adds to the gloom as shipping companies engaged in the offshore sector feel the heat – if I can put it that way. Some medium sized charter companies are being squeezed to death by their clients who, because of the desperate conditions, are able to ignore contractual obligations and only pay the charter companies when they feel like it, if at all. The first casualty of this common scenario is the ship's crew, whose salaries dry up.

I called the other part of the perfect storm 'cultural indifference', by which I mean the local context, in which labour unions are banned and seafarers (along with many other workers) have no voice and no leverage. They become, to all intents and purposes, expendable items – like lube oil, or rope, or diesel.

**The Mission delivers supplies to abandoned seafarers in the Middle East Gulf**

## Counting the cost

In this setting Mission to Seafarers has become a kind of amalgam of emergency relief agency, industry conscience, advocate for the powerless, and educator in society of what the benefits and conveniences of globalisation actually cost in human terms.

One of the peculiarities of modern life is that we are connected with each other on a global scale to an unprecedented degree. Our shirts are made in Bangladesh and our wine comes from Australian vineyards. Yet the people who make all this possible, the ships' crews, are victims of widespread ignorance and indifference.

Ports, especially in the Gulf, are no go areas for 99.99% of the population. Because of the respect that Mission to Seafarers in Dubai is held in (we have been operating there since 1962) the charity is uniquely placed to speak for all who work in the maritime industry, and to make a difference on behalf of seafarers whose first priority when in difficulty is that their voice should be heard. That itself brings hope, and with persistence and persuasion we can often bring about relief from suffering and the recovery of freedom – not only for the seafarer but also for his family, which in most cases means at least 20 people. **SN**

*Revd Dr Paul Burt is the Mission to Seafarers chaplain based in Dubai, serving Dubai and west coast UAE ports. For more information on The Mission, or to support its work go to www.missiontoseafarers.org.*

"At our Dubai office we receive, on average, desperate calls from abandoned ships at the rate of about three or four a week"

# The path to education enlightenment

Carly Fields talks with the Institute tutoring and examining team about their roles

**Carly Fields**

The examining team at the Institute is as broad as it is deep with Members, Fellows and industry professionals all playing an intrinsic role in the learning and examining process. Right now, a team of 23 International TutorShip tutors are working tirelessly to aid students in their studies, while 16 lead examiners, 29 assistant examiners and 17 assessors are fulfilling the tasks of setting and marking exams for the May and November sessions.

**Rob Gardner believes getting involved with exams means you are making a difference**

Rob Gardner, lead examiner for *Introduction to Shipping*, believes that involvement with the exams, as lead or as assistant examiner, is a great learning curve for those who get involved. While the actual marking of papers can take time, it is only for a short, intense period and the knowledge you gain from doing it makes it worthwhile, he says.

"You not only learn about the different approaches to each question, but also the different trades and issues affecting each country. By getting involved you are making a difference; you are helping to build the next generation of shipping professionals and it is certainly a compliment to be asked to do so."

Institute Fellow and CEDR Mediator Franceska Giannisi was recently appointed as an assistant examiner for *Ship Operations and Management*. When her children left home, she found herself with more time on her hands and chose to dedicate this time to education and training in the maritime sector. For her, being an assistant examiner allows her to meet up with fellow shipbrokers who have an interest in education, while also keeping her up to date with the latest developments in the industry.

"I would recommend the role to other experienced Members," she says. "I do believe this is the best way to pass on knowledge to the next generation so that they, in turn, will pass on knowledge and expertise in the shipping industry."

## Joys of tutoring

As a senior lecturer in International Trade & Maritime Law at Buckingham Law School, Jae Sundaram is no stranger to the education field. He decided to become a tutor after a discussion with an ex-colleague and fellow Institute tutor, Jonathan Challacombe, while teaching in Plymouth University. Jae started out as a tutor and examiner for *Shipping Law*, and went on to become a tutor and examiner for *Marine Insurance*.

"I come from a family of teachers and have a natural liking for teaching and academia in general," he says. "I currently teach different laws – both soft laws (international) and international commercial law. Tutorship is very commercial in nature and it is a very different challenge from class room teaching. As you don't get to see the candidates face to face, all conversation/feedback takes place through emails."

Tutor of a number of subjects, Fiona Palmer had a different reason for taking up the teaching mantle. Having worked in BP Shipping for 14 years and then James Fisher Tankerships for a further four, Fiona is no stranger to chartering. While she was keen to help students, she found it impractical while she was working full time. But when she had her daughter in 2001, her husband recommended that she "keep her hand in" the shipping world and Fiona consequently approached the Institute with a view to becoming a tutor. Having passed her review with flying colours, she was initially given the subjects of *Introduction to Shipping* and *Tanker Chartering* to tutor. This quickly expanded to four with the addition of *Legal Principles in Shipping Business* and *Shipping Business*.

**Jae Sundaram highlights the commercial focus of the Institute's syllabus**

"Tutoring is a great way to build a rapport with students," says Fiona. "My greatest enjoyment is reading that a student is improving and becoming confident as they prepare for their exams." **SN**

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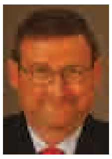
Are you inspired by the stories on this page? Do you have knowledge that you would like to impart to the next generation of shipping professionals? If so, the Institute is looking for more tutors, assistant examiners and examiners in a number of subjects. Please contact enquiries@ics.org.uk if you would like to find out more.

# Masters of maritime information

Maritime Industry Foundation's Capt Peter Swift aims to attract new talent to shipping



**Capt Peter Swift**

The story of the Maritime Industry Foundation started in 2003 at a discussion of Intertanko's public relations committee into how the industry could improve its standing in society. Through that discussion, the committee recognised that there was no resource available internationally for people outside the industry to learn about what we do and how we do it.

The committee agreed that a web site and a foundation should be created, the latter as a not-for-profit UK registered charity.

On its establishment, the foundation was also made a member of the Charities Aid Foundation America which enables US donors to support a non-US charity, while still obtaining maximum tax benefits allowed by Federal law for their contribution.

Everything was up and running by 2005 and I came on board as general manager in 2007.

The founding purpose of the foundation, its website and Knowledge Centre today remain the same as they did at the start: to reach out to those who know nothing about the international shipping industry in all its forms, at sea and ashore.

In terms of its structure, the Maritime Industry Foundation (MIF) is a membership organisation funded by subscriptions and donations. All directors and staff work on a voluntary basis so that apart from the statutory cost required to operate a UK charity, such as Company House filings and auditors, every penny or cent goes into the operation and further development of the Knowledge Centre.

Organisationally, operations are conducted via email and Skype, while physical meetings are only held when those concerned are in the same location for other business. That has meant that expenses are kept to a minimum. This strategy has proved popular with MIF's members as the only financial request is for a one-off annual subscription.

## Attracting talent

The foundation believes that the industry must focus on attracting young people into the industry, both at sea and ashore. Once a young person has decided on an alternative career, it is unlikely that they will later join the shipping industry.

It is also important to show that you can move and develop within the industry. For example, those who start their career at sea need to be advised that they do not need to stay at sea for their whole career as there are a plethora of jobs ashore.

For those considering career options, MIF's Knowledge Centre aims to make the industry as transparent as possible, with descriptions of roles and sectors throughout the sector. The intention is that every topic be linked to in-depth websites or a description that will take the enquirer as far into the subject as they wish to go.


**MIF feels that the industry should focus on attracting young people into the industry**

As an international industry, we have to be able to communicate with our target audience and speak with one voice, representing all sectors in a non-political or non-commercial way. The Knowledge Centre does just that.

So far, the Knowledge Centre has been translated into Mandarin and Spanish and the aim is to consider other languages when necessary to further promote the maritime industry.

Translations on this scale can be expensive, but we are fortunate that the Spanish translation was sponsored by a ship owners' association, while the Mandarin translation was sponsored by an international ports and logistics company based in the Far East. The translations have been checked by the ship owners' association in that region.

The Round Table of International Ship Owner Associations and the IMO fully supports the ideals and aspirations of the Maritime Industry Foundation. It is our intention to work with the Institute of Chartered Shipbrokers more closely in the future to aid the development of its students, and in the meantime, MIF's Knowledge Centre can be accessed for free at www.maritimeinfo.org. **SN**

*Captain Peter J Swift is general manager of the Maritime Industry Foundation.*

"Once a young person has decided on an alternative career, it is unlikely that they will later join the shipping industry"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'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

'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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# Putting shipping at the heart of Europe

Maritime will take centre stage in Malta's presidency of the EU Council. Felicity Landon reports

**Felicity Landon**

"Malta – what a perfect place for discussing the challenges of the maritime sector," said Violeta Bulc, European Commissioner for Transport, in a message to the first Malta Maritime Summit, held in October.

It was no coincidence that the summit was held in the run-up to the country's six-month presidency of the European Council. Summit organiser John Gauci-Maistre, chief executive of GM Conferences and Exhibitions, chose the theme of *'The Voice of the Industry'*, with the sessions designed to encourage politicians, stakeholders, European Union (EU) officials and international delegates to debate, analyse and also 'vote' electronically on different aspects of EU maritime strategy and the impact it is having on the industry.

Throughout history, Malta has played a vital role in the maritime world and today it is a major transhipment and bunkering hub, said Mr Gauci-Maistre. However, although the summit was being held on this island state in the centre of the Mediterranean, the event was emphatically not 'about Malta'.

"We have staked our claim that our nation has its finger on the pulse of the maritime sector. We are very much a maritime nation. The feedback from stakeholders at the summit will help us steer EU maritime policy."

**Malta Freeport Terminals continues to expand as a key transhipment hub**

The conclusions of the summit are being compiled in a report which will be submitted to the government and taken forward to the European Ministerial Stakeholders Maritime Conference to be hosted in Valletta in March 2017, said Mr Gauci-Maistre. "It is hoped that as Malta takes over the presidency of the European Council for the first six months of 2017, we stakeholders will have contributed in a positive manner.

"It is up to the private sector to make a concerted effort to forge a way forward in these difficult times – it is up to us, the

## Global rules for a global industry

Peter Hinchcliffe, secretary general of the International Chamber of Shipping, threw out a warning shot in discussions at the Malta Maritime Summit: "We take a global view of what the requirements are for the shipping industry and we have a mantra – global rules for a global industry. Regional and unilateral rules create chaos," he said.

For example, Europe has created a situation where ships calling in European ports have to report twice on different criteria "because they have their own legislation which is, frankly, unnecessary".

Europe seems to think that unilateral legislation shines a light on issues, and that somehow leads to faster IMO action, said Mr Hinchcliffe. "It doesn't. What this apparent leadership does is polarise the IMO debate and that means the IMO is not able to move ahead as quickly as it might like."

If Europe really has the best interests of shipping at heart, it should be insisting on all the European states ratifying all the IMO conventions, he said. "Many European states have a very poor record on that. Malta doing a campaign to insist that European states ratify all conventions would be a fantastic step forward for the industry. We could use the first six months of next year to achieve a 100% record (of ratification)."

Patrick Verhoeven, secretary general of the European Community Shipowners' Associations (ECSA), agreed with Mr Hinchcliffe's views. "We do believe there is a role for European leadership but it may be confrontational leadership when it thinks 'we go solo', and that is what we see at the moment," he said. "When it comes to regulations on safety and the environment, we absolutely need these to be global standards – we can't go unilaterally, even if it is to put pressure on the IMO, because this will just have the opposite effect."

There are a number of purely European issues that should be priorities, he said. "What would we like to see the Malta presidency take up? It is legislation we want. It is quite unusual for the industry to say that we want legislation – but we still want the single market. If you leave an EU port for another port, most of the time you have to enter all the customs information again."

This issue has been on the agenda for 20 years, he said. Creating a European Single Window and eliminating the administration and bureaucracy which is a nightmare on port visits would improve the attractiveness of maritime careers, said Mr Verhoeven. "That way, people could actually do their job on board and not be spending their time doing formalities. This is something that we as an industry should commit ourselves to."

Referring to Europe's e-manifest proposals, he said: "We need companies to be involved to make sure the legislation we want will be effective." *SN*

**In 2015, Valletta Cruise Port handled 307 cruise ships carrying a total 670,000 passengers**

stakeholders, to truly be the voice of the industry," he said. "As an island state in the middle of the Mediterranean Sea, the maritime industry is our lifeline. We have a great interest in ensuring that the future of the industry is a positive one."

## Maritime priority

Transport Malta, the government department, collaborated on the summit and is clear about its ambitions at European level.

"Being an island member state and highly dependent on the maritime sector, maritime policy will be considered as one of the priorities during the presidency," said spokesman Charles Axisa, Transport Malta's senior manager - marketing & PR.

"This decision complements well the European Commission's intention to dedicate 2017 to maritime. Malta will work intensively to promote and place the maritime sector and related policies high on the EU political agenda."

Stakeholders had the opportunity at the summit to express their views on how to bring forward this sector and ensure its competitiveness on a global level, said Mr Axisa. Events such as the summit aimed to motivate EU policymakers to address societal needs and align existing and future policies to ensure the sustainable growth of the EU maritime clusters.

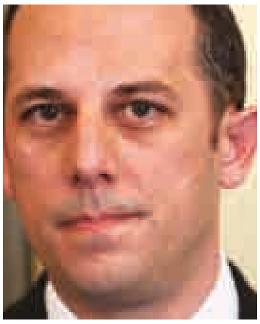
Growth Agenda a further impetus. During the presidency, Malta will maintain the overarching guiding principle that shipping is a global industry and must be regulated at a global level."

Malta will obviously build on the work done by both the Netherlands and Slovakia, he said. For example: "We are grateful for the work done by the Netherlands, whereby they have concluded a number of dossiers such as the Port Services Regulation. The progress achieved will allow us to focus on recently adopted maritime related proposal."

## Legislative support

Among other ambitions, Malta is looking to achieve significant progress with respect to the recently adopted Passenger Ship Safety legislative proposals. "Malta supports these initiatives as primarily the Commission has updated the EU legal framework with IMO requirements. In addition, these proposals safeguard the safety of citizens. Coming from a geographically isolated member state, we are conscious of the importance of safe, effective and efficient maritime links," said Mr Axisa.

Meanwhile, proposals for the revision of the Port Reception Facilities Directive should be adopted during Malta's presidency. "Malta supports the objectives of the Port Reception Facilities



"When Malta takes over the presidency, it will be an opportunity for a maritime nation to put shipping at the forefront of the discussions – something which is not done very frequently at the EU, I am afraid"
*Marios Demetriades, Cyprus Minister of Transport, Communications and Works*

Malta has set three key priority policy areas for its presidency – Mediterranean, migration and maritime, with an overarching social strand.

"We are cognisant of the fact that all modes of transport are crucial when it comes to growth, jobs and connectivity," said Mr Axisa. "For these reasons, we intend to treat all modes – i.e. maritime, aviation and road – on equal footing at Council level. Our intention is to push maritime up a notch on the EU political agenda, recalling the need for a more competitive and a sustainable maritime sector. The maritime sector will be featuring in a number of policy areas, thus giving the EU Blue

Directive to better manage ship-generated waste and cargo residue. Although we are bound by the Commission's progress, our intention is to be ambitious and work intensively with the aim to reach a political agreement by the end of the presidency. We are aware that this Directive certainly needs to be aligned and updated with the MARPOL Convention as amended, taking into consideration new developments in the shipping sector such as the handling of exhaust gas scrubber wash water effluent."

Beyond this, Malta wants to address the digitalisation of maritime services. "We intend to instigate a number of political debates, leading to a clear political direction on how digitalisation

# Small, but perfectly formed

Malta's natural, deep sheltered harbours and position on major shipping routes – just six nautical miles off the main Mediterranean sea route between Gibraltar and the Suez Canal – have been the keys to the island's development as a maritime centre.

Today, Malta has Europe's leading flag and the sixth largest flag in the world. After a 14.3% increase in 2015 and further growth this year, the Maltese-flagged fleet stood at 70m gt at mid-2016.

At Marsaxlokk, Malta Freeport Terminals (MFT) continues to expand as a key transhipment hub – passing the 3m teu figure for the first time last year and handling 1.62m teu in the first half of 2016. Since its privatisation in 2004, MFT has invested more than €237m in its facilities; it has more than 2 kilometres of operational quay, with all its main quays dredged to 17 metres. Late last year, the terminal took delivery of four ZPMC super-post-panamax quay cranes with 25-box outreach and twin-lift capability.

Another vital part of the maritime mix is the Palumbo Malta Shipyard, which employs about 180 people but is also at the centre of a significant network of subcontractors and service providers.

Malta is also a major cruise destination, and is reporting a steady increase in cruise ship calls and passenger numbers. In 2015, Valletta Cruise Port handled 307 cruise ships carrying a total 670,000 passengers – this year the total is expected to reach 740,000 passengers.

More berthing space is needed, as the port frequently handles multiple calls simultaneously; plans have been drawn up for a €6m project to widen Quays 4/5.

In 2015, Valletta Cruise Port was one of the partners involved in setting up the Malta Maritime Forum, which has brought together players from across the island's maritime sector. **SN**

is and how it would transform the maritime sector," said Mr Axisa. "Digitalisation is transforming every sector and at a European Union level we should have both the political will and the required framework, not necessarily new legislation, in place to embrace digitalisation.

"Following the recognition of Galileo as part of the World Wide Radio Navigation System, a milestone in the market uptake of Galileo in the maritime sector, our aim is to work closely with the European Commission to identify the necessary steps in this field."

Malta also intends to further build on existing partnership with the IMO, particularly with respect to the reduction of $CO_2$ emissions from shipping, he added. During the Slovak presidency (July-December 2016), the relevant EU/IMO co-ordination meetings were chaired by Malta.

"The IMO has been taking great strides to mitigate climate change for the past two decades and our intention is to maintain this momentum and to be instrumental in ensuring that the three step approach to reduce greenhouse gas emissions is realised at a global level. In addition, Malta has always insisted that the EU Monitoring, Reporting and Verification (MRV) Regulation should be aligned with future IMO requirements and we will do our outmost to ensure that this position is politically reverberated during our presidency."

"Malta will work intensively to promote and place the maritime sector and related policies high on the EU political agenda"
*Charles Axisa, Transport Malta*

### Tripartite meeting

Cyprus, Malta and Greece have held talks in advance of the Malta presidency. Marios Demetriades, Cyprus's Minister of Transport, Communications and Works, said: "When Malta takes over the presidency, it will be an opportunity for a maritime nation to put shipping at the forefront of the discussions – something which is not done very frequently at the EU, I am afraid. I do feel that sometimes shipping is neglected – sometimes for things like discussions about the environment.

"At our tripartite meeting, we all agreed that the single legislator should be the IMO. The other thing we feel is very important is that before legislation there should be enough consultation with the industry so that fair implementation of these regulations is ensured."

He also warned: "We need to make sure we don't introduce legislation which makes European shipping less competitive." **SN**


As an island nation, the sea runs through Malta's blood

Credit: Ivan Zanotti Photo

# Flying the right flag

WQW's Ed Woollam assesses the changing scene of ship registries competing for today's tonnage

**Ed Woollam**

Selection of an appropriate registry for a newbuild vessel or a newly acquired secondhand vessel can be a bit of an art.

There are a number of objective factors that will influence the choice, such as manning requirements, survey requirements, age restrictions, fees and taxes, and 'bankability' in terms of whether a financier would accept a mortgage filed in the flag state as an acceptable security. But there will also be the more subjective assessment of the flag's credibility or respectability.

Among the prime determinants of a flag's respectability will be its positon on the so-called Paris MoU and Tokyo MoU lists. These lists are compiled on the basis of the number port state inspections or detentions affecting ships on specific flags as against the amount of tonnage on that flag. The Tokyo MoU list concentrates on port state inspections and detentions in the Asia-Pacific region while the Paris MoU list is intended, at least, to be global.

"Selection of an appropriate registry for a newbuild vessel or a newly acquired secondhand vessel can be a bit of a dark art"

The latest iteration of the Paris MoU list has 75 flags listed while the Tokyo MoU list has 64. This gives one some indication of the breadth of choice that a shipowner may have. Each list is split down into Black, Grey and White sub-lists (the White list being those flags that fare best in terms of a minimum number of inspections/ detentions). Again, looking at the number there are 43 flags on the Paris MoU White List and 35 on the Tokyo MoU White List.

It should not be assumed that the 35 flag states on the Tokyo MoU White List are all on the Paris MoU White List. For instance, St Vincent and the Grenadines is a Black List flag for Paris MoU but a White List flag for Tokyo MoU. Oddities like this do tend to occur with the smaller registries because there simply are not enough ships trading to create truly representative data for inspections/ detentions.

One aspect of these lists that is worth bearing in mind is that as well as providing an index of 'respectability' many ship finance banks will have as a credit requirement that any ship they are financing is White List – though in many cases they will be more restrictive and have a subset of White List flags they are prepared to contemplate. For example, Russia is a White List flag on both MoUs but many ship finance banks would not accept a Russian registered vessel as security due to concerns with Russian mortgage security law.

## Red Ensign registers

With so many flags to choose from, this article is not intended to discuss all of them but to concentrate on a subset, those known as Red Ensign Category 1 registers. The Red Ensign group of ship registers covers thirteen registers across the UK, its crown dependencies and overseas territories. Six of these registers have

**The Red Ensign group of ship registers covers thirteen registers across the UK, its crown dependencies and overseas territories**

Credit: Glen

category 1 status, meaning that they can register vessels of any size, whereas category 2 registers are restricted to vessels up to 400 gross tons, although they may in fact have lower tonnage limits in accordance with local legislation. The six category 1 registers are Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Isle of Man and UK.

Each of these registers has different advantages and disadvantages – a different USP in sales jargon. The British Virgin Islands has only relatively recently obtained category 1 status and has yet to make much mileage from the promotion. In fact, it appears on neither the Paris MoU nor Tokyo MoU lists and apart from in the yacht sector one does not come across this flag much. The remaining five registers all have White List status on both MoUs and are all generally acceptable to ship financiers, insurers and charterers. In fact, the UK can boast the number two position of the Paris MoU White List just behind Sweden, which is a significant achievement for the register's quality control and its international perception.

A broad brush view on each of the above five registers would be that traditionally Bermuda has a strong position in the passenger/cruiseship sector; the Isle of Man wins on efficiency of administration; the Cayman Islands register is dominant in the yacht and superyacht sector; the UK register benefits from the attractiveness of UK tonnage tax - though there is no explicit flag link in the tonnage tax regime; and both UK and Gibraltar also benefit from being European Union flags with cabotage rights within the EU.

However, the world of Red Ensign registers is not static and there are certain developments, tendencies and threats including the concerted push by the Cayman Islands register to attract more commercial tonnage; the relationship between the UK flag and its tonnage tax regime and the interplay with EU state aid rules; and the potential loss of cabotage rights for UK and Gibraltar flags

## Cayman speciality

The Cayman Islands register is very well known in maritime circles as the flag of choice for yachts and superyachts. In fact, it is fair to say that it dominates the sector, especially in respect of yachts over 50 metres. Its processes and surveyors are very well attuned to the needs of this sector of the industry. The register has ambitions to be a much larger player also in the commercial shipping world and is pushing those ambitions by some innovative ideas on pricing, those being:

1. A cap on annual tonnage fees at $3,500 for vessels with a gross tonnage over 37,650
2. A fixed fee system for survey and certification
3. Waiver of annual tonnage fees for vessels in lay-up
4. A 10% discount on annual tonnage fees for vessels that enter the US Coast Guard Quaship21 programme

It is to be expected that the Cayman Islands register will make up some ground against other registers in terms of attracting commercial shipping tonnage as a result of these pricing plans.

## Tonnage tax attractions

One of the perceived attractions of the UK flag has been the potential to utilise the UK tonnage tax scheme and be taxed on a tonnage basis rather than on the usual corporate profit basis. While there is no explicit requirement for 'qualifying' vessels for tonnage tax purposes to be registered in the UK (they do need to be commercially and strategically managed there), it has been widely considered that entering a vessel onto the UK flag will be seen as a favourable factor in a tonnage tax application.

If a shipping company is lucky enough in the current environment to have any profits to shelter from corporation tax, then Britain's forthcoming exit from the European Union could mean that the impediment will be removed for creating a direct link between the right to benefit from the tonnage tax regime and registering in the UK (or perhaps on any Red Ensign flag). This could be a boost to the number of vessels on the flag. Limits in the tonnage scheme on time-chartered in tonnage might also be relaxed. Tonnage tax is however a very complex area and any changes will take time to work through.

One point that should be made is that any development that boosted the amount of ships on the flag would require that the UK Ship Registry increased its staffing and service levels which are unfortunately not currently of a level equivalent to other major ship registries.

## Cabotage rights

Of the Red Ensign category 1 registers only the UK and Gibraltar are deemed to be EU member state flags – and it took some pressure to clarify that Gibraltar has this status. Perhaps strangely, the Isle of Man does not have this status even though the Isle of Man is within the EU Customs Territory but Gibraltar is not.

This status means that vessels registered on those flags can, subject to certain specific exemptions, perform cabotage within in the EU, that is to say carry cargoes between the ports of a specific member state. Brexit will presumably cause vessels under these flags to lose that right and so UK and Gibraltar flag vessels will be in the same position as those registered in Bermuda, Isle of Man or the Cayman Islands. Whether this is of any concern from the perspective of the attractiveness of those registers to shipowners is perhaps questionable – some research would be needed on how many vessels are using their cabotage rights and if such trade is in any event profitable.

Now is a tough time for shipping of almost all types, and part of operating vessels economically is the question of choosing the correct flag to register them under. That question is made more difficult to answer by the constantly changing environment around ship registers and it is an increasingly important part of the shipmanager's role to be well-appraised of all the alternatives. ***SN***

*Transactional lawyer Ed Woollam is co-founder of law firm Wysocki Quinn Woollam and a Fellow of the Institute.*

**The Cayman Islands register is dominant in the yacht and superyacht sector**

Credit: mhobl

# Reducing carbon emissions at sea

Voices from within the industry are calling for global regulations to be set soon, finds Lara Shingles

**Lara Shingles**

Governments and society have always expected more from the shipping industry, but the 2015 Paris Agreement on climate change made clear that all sectors of the economy are expected to determine a fair and ambitious contribution towards the reduction of $CO_2$.

With pressure building on the shipping industry to set carbon targets, talk at this year's International Chamber of Shipping's International Shipping Conference quickly turned to whether the industry truly accepts responsibility for its contribution to the global $CO_2$ total, as well as the IMO's commitment to meeting the objectives by 2030.

IMO Marine Environment Protection Committee's chairman Arsenio Dominguez insists that shipping has already started to take action to reduce its $CO_2$ contribution even before the Paris meeting. The next step, he says, is clear proposals, adding that in the meantime shipping will still continue to contribute to decarbonisation.

Alfred Hartmann, president of the German Shipowners' Association, agreed that shipping takes responsibility and added that the industry is already sensitive to the environment.

Indeed, shipping is the only industrial sector that already has a binding global agreement in place to reduce $CO_2$, which will enter into force in 2030. Subsequently, all new ships built after 2025 will be at least 30% more efficient than those built in 2000. Added to this, it is now mandatory for all new ships to have $CO_2$ efficiency plans in place to reduce their operational emissions.

However, John Maggs, president of Clean Shipping Coalition, remains dubious of shipping's commitment to decarbonisation; while he is hopeful that the industry is taking responsibility, he says that the evidence is mixed.

Credit: Seas at Risk

"It's one thing having a high level objective. It's another thing following through on that and being consistent with the positions that you're taking on the detail of the processes."

And, although he applauds the International Chamber of Shipping's response to the Paris Agreement in accepting the concept of decarbonisation, as well as the proposed 'intended IMO-determined contribution to reducing $CO_2$' and its early debates on fair shares and long-term objectives, he's concerned with the industry's complacency on the details. "It's one thing having a high level objective," he says, "it's another thing following through on that and being consistent with the positions that you're taking on the detail of the processes."


**IMO MEPC's chairman Arsenio Dominguez insists that shipping has already started to take action**

## Different factors

Mr Maggs argues that any reduction in emissions has not, so far, been a result of the IMO's Energy Efficiency Design Index (EEDI). "These things are to do with economic factors, a slump in the economy and oversupply of ships," he says, "and yes, there has been a reduction in emissions, but really it's not anything that anybody in the shipping industry or elsewhere can claim responsibility for."

He adds that it is, therefore, important to look at what is driving efficiency changes so that it doesn't end up being a design flaw when the market drops back to how it was. "Is this being driven purely by financial reasons, or is there actual consideration for issues such as climate change?".

To meet objectives by 2030, Mr Maggs says that the industry either needs to regulate, use a market-based measure, or a combination of both. He adds that there needs to be more of an interest in design efficiency, as well as more consistency with ambitions.

Certainly, the IMO is under a great deal of pressure to assert its authority post-Paris and provide some guidance to meet the objectives by 2030, be this through international regulation, market-based measures or something else entirely. Without this, Mr Hartmann says that the industry will be divided. He asks:

"How can we have a regional legislation for a global business?".

With the IMO being slow to respond to the Paris Agreement, however, Mr Maggs wondered why different regions can't go ahead and create their own regulations if the IMO fails to do so within a certain timeframe.

He points out that the IMO system of regulation doesn't address some of the things that the EU regulation does. This, coupled with a lack of transparency, is a clear illustration to the Clean Shipping Coalition that the European Union was right to take early action on curbing emissions.

"Unfortunately, the industry is not supporting the tightening up of the IMO system of regulation to include transparency and transport work data collection," he continues, "which is not only a shame but also another area that suggests that there's a little bit of a mismatch between the commitment to decarbonisation and the industry's position on some of the details when it comes to establishing the system of regulation that will take us there."

### Issues with transparency

According to Mr Dominguez, more transparent data brings with it the potential for a fragmented sector, especially if IMO data is going to be misused and used to penalise ships.

However, more transparent data is what the Clean Shipping Coalition wants, and what the EU gives, says Mr Maggs. "I'm particularly concerned about the issue of transparency at the moment because ships that have achieved more design efficiency are not receiving a premium in the market; they're not getting higher rates; and they're not being pushed to the front of the queue," he adds.

Mr Maggs attributes this to people getting data from various sources. He argues that having one, publicly available source of data would, therefore, be extremely helpful.

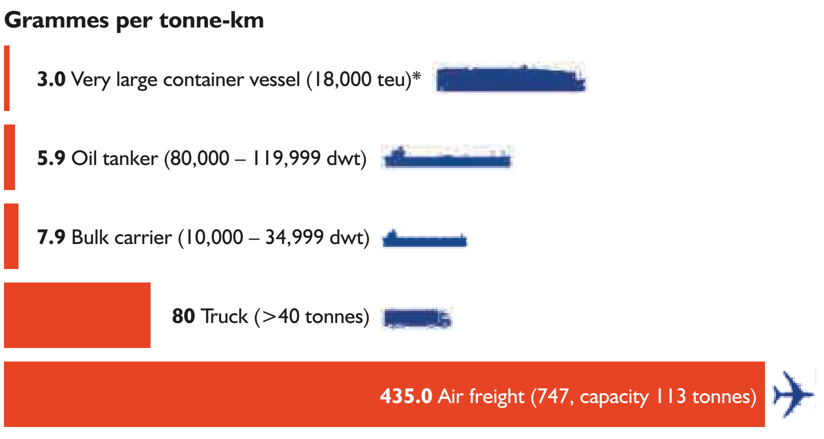
But Mr Dominguez remains firm in his belief that the IMO's data should remain private, adding that releasing such information would be beyond the remit of the organisation. "The IMO is not an economic organisation; it introduces technology and operational measures," he says. "It can't release data to private organisations to then rate and rank ships."

Amid issues with regulation and transparency, one thing that remains clear is that a decarbonised shipping future is upon the industry. What will it look like? Well, Philippos Philis, Cyprus Shipping Chamber's vice president, favours technology over biofuels. "The rest of the industry needs to look closely at all of the information and technology it has at the moment and decide together what's next," he says.

Meanwhile, Mr Maggs says that the industry needs to close the gap between decarbonisation and the long-term ambition of the IMO. He adds that it is important for the industry to remain open to new technologies, new fuels and so on. Otherwise, it risks missing the target.

## "Is this being driven purely by financial reasons, or is there actual consideration for issues such as climate change?"

**Comparison of typical $CO_2$ emissions between modes of transport**




*Source: IMO GHG Study 2009 (*AP Moller-Maersk 2014)*

For Mr Dominguez, data collection will be crucial to the development of decarbonised shipping.

The climate change deal agreed upon in Paris in 2015 isn't something the shipping industry can continue to ignore. Its future as both a politically and socially accepted industry depends on its ability to reduce carbon emissions at sea.

How the industry will achieve this is, clearly, still up for discussion. One thing the panellists do all agree on, however, is that a decision needs to be made soon if the industry is to meet its objectives by 2030. **SN**

## Cleaning up its image

The panellists at the International Chamber of Shipping conference were united in their view that shipping needs to address its image, which remains poor in the eyes of the public.

The problem, says the German Shipowners' Association's Alfred Hartmann, is that people don't connect their daily life with the shipping industry. He adds that the limited press coverage shipping does get is usually negative. "The public, therefore, does not see things like efficiency," he says.

The IMO has put campaigns in place and is active on social media to try and resolve some of these problems and promote a better image of shipping, says the IMO's Arsenio Dominguez, but "bad news is always the headline".

Mr Dominguez adds that the industry is its own worst enemy. "Even within the industry, conversations are often quite negative among colleagues," he says.

"It's difficult to paint a better picture and encourage others to see shipping in a more positive light if we first don't do the same." **SN**

# Safer, smarter and faster transactions

Bolero International's Ian Kerr explains why shipping needs to catch up with the digital revolution

Ian Kerr


There's no doubt that digital documents are causing a revolution in global trade comparable to that caused by paper two millennia ago, granting greater speed and efficiency while reducing costs and enabling automation.

Take the electronic bill of lading (eB/L). Like its paper counterpart, the eB/L performs three basic functions: a document of title which entitles the rightful holder to claim delivery of the goods, a receipt from the carrier for the goods it describes and evidence of the contract for the carriage of the goods.

And just like a paper bill of lading, the eB/L must have only one holder at any time. How, you might ask, can this be ensured, when digital documents are so easily copied? The answer lies firstly in the subscription of participating parties to a legal rulebook that outlines roles and responsibilities enforcing the notion of a transferable singularity and secondly, through the use of a messaging platform and title registry database that ensures that essential element of singularity and that there is no departure from what the rulebook requires.

The rulebook is a standard user agreement that parties using eB/Ls enter into on enrolment. It ensures that all users stick to a common set of legally-binding rules.

The messaging platform, meanwhile, replicates the 'sending' of the document from party to party and delivers it to the next holder. A title registry attached to the platform records the current holder of the eB/L, ensuring its uniqueness. Also, the registry can only be updated by the current holder. Without the title registry record, the document has no status and is just a copy of the data.

The eB/L fully replicates the functions of a paper bill of lading, containing as it does, the specific data such as a description of the cargo, the ports of loading and discharge, the date of shipment and so on, along with the terms and conditions of carriage. The new holder takes up the rights in the eB/L, subject to the obligations and limitations.

Indeed, the rulebook governs the rights of the new holder, ensuring whoever that is, they become the only party entitled to instruct the carrier. This important right allows the eB/L to be used for letters of credit and documentary collections and makes the holder the only party permitted to demand delivery of the cargo from the carrier.

As the advantages of eB/Ls have become apparent, so they have been recognised around the globe. BIMCO has issued a standard charterparty clause concerning eB/Ls and P&I clubs in the International Group provide as standard protection and indemnity coverage for eB/Ls on the same basis as paper bills.

## Speed and accuracy

The benefits of switching to eB/Ls are almost immediate and lie in speed, ease of use, accuracy and cost. Automation reduces overheads and man-hours, with document transmission constrained only by the speed of the internet, rather than by a courier's logistics.

Fast processing also reduces the likelihood of goods being discharged prior to the arrival of the bill of lading, cutting the need for Letters of Indemnity. Now that eB/Ls have accelerated trade settlements, enterprises have seen improved working capital, accelerated time-to-cash and more effective credit line management.

Many users are also reassured by the fact that the eB/L is substantially more secure than its paper equivalent, reducing the risk of fraud, since each eB/L enjoys protection from digital signature and encryption technology similar to that used in banking for the transfer of electronic funds. The communication channels for eB/Ls are also encrypted, audited and tested to internationally-respected standards.

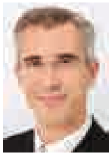
In a world trading system where 24-hour globalisation has manifested with an ever increasing emphasis on speed, eB/Ls are already proving to be indispensable tools as shippers, commodity companies and banks based around the globe digitalise their international trade operations.

When world trade is still precarious, only the leanest and most agile organisations will be able to compete and that will include those that adopt eB/Ls as part of their trade finance digitalisation programmes. **SN**

*Ian Kerr is chief executive of Bolero International, an electronic trade finance documentation specialist responsible for bringing the industry's first electronic bill of lading solution to market.*

# Software support from the cloud

Softship's Lars Fischer explains why remotely accessible IT solutions can aid agency operations



**Lars Fischer**

Port agents are often used as the 'fixer' by the shipowner to arrange berths, cargo operations, customs formalities, crew changes, stores and a range of other vital activities. They sit at the centre of a complex web of outstations and agencies that must be co-ordinated if the ship is to perform its duties in port and depart on schedule.

Unless the agent is part of one of the very large global networks they are unlikely to be using any intelligent software solutions to help them perform efficiently. Instead, many independent agents rely on spreadsheets, emails and handwritten notebooks to keep track of the myriad of tasks required for each ship they service.

Alongside this, port agents must also tightly control their costs and claim back the many disbursements they pay out for their principals – in this business it is all too easy to stray into negative cashflow. On top of all this, an agent must continually lookout for new business which means calculating and compiling professional, but time-consuming, offer documents.

Mindful that agents are often on the move either between ports or visiting their ships, any IT solution designed to streamline their working day must be accessible remotely and from a variety of devices. Shipping software provider Softship recently launched a port agency product, SAPAS, which is a cloud-based tool aimed specifically at the world's port agents.

The thinking behind this type of software is to allow agents to do away with paper and stand-alone office programmes and switch to a single, web-based platform that holds all the relevant information in one place.

By utilising software, re-keying of information and the constant transferring of data from one medium to another can be eliminated. This system also allows agents to produce professionally looking reports and documents as well as keeping tabs on disbursement accounts for each client.

**Can cloud based apps help agents?**

"Like most in the shipping sector, agents are operating in a thin margin environment where costs must be contained and revenues exploited"

## Central database

At its core, is a flexible database containing pre-loaded information (terminal and berth data, for example) sitting alongside the agent's proprietary information such as customer and contact details. Agents can choose what information they want to store safe in the knowledge that only those with permission can access it.

Port tariffs form a large part of the cost of a port call but can be extremely complex. Sometimes they are applied as a lumpsum and sometimes as an amount per gross tonnage/deadweight, per teu, per metre length or as a more complicated calculation. SAPAS allows simple and complex tariff structures to be captured, stored and re-used including different rates for different cargo and/or vessel types. Once a tariff has been registered in the system, it is automatically 'looked-up' when required.

Owners generally require a comprehensive offer document detailing the likely cost of a port call prior to engaging an agent. This process is hugely time consuming but can be streamlined by re-using information already stored in the system.

By taking owner, charterer, vessel and cargo information and marrying it with cost items such as pilotage, berthing and bunkering, an offer document – using an inbuilt report writer – can be more easily created.

The system will also maintain a real-time statement of facts which can be customised and emailed direct to the client. This can then be used as the basis for the disbursement account which is automatically generated with supplier invoices attached. With this up-to-the-minute information, both the owner and agent retain full financial visibility and control.

Like most in the shipping sector, agents are operating in a thin margin environment where costs must be contained and revenues exploited. Software that is offered on a pay-as-you-go basis with no upfront investment required can help in this highly competitive marketplace and a comprehensive solution that streamlines workday activities allowing more clients to be serviced in a more professional manner can only be a good thing. ***SN***

*Lars Fischer is managing director of Softship Data Processing, Singapore, a wholly-owned subsidiary of Softship, a provider of software solutions to the international liner shipping sector.*

# A market of many moving parts

Dry bulk trade continues to battle with demand and supply surpluses, finds Andrew Lansdale

**Andrew Lansdale**

Over the last year, iron ore prices have risen by more than 50%, against a background of rising production by major producers, Australia and Brazil. China continues to reduce output from low grade domestic mines or to close them altogether. Imports of high grade ore such as the 62%Fe from Australia and Brazil are still on the rise, but the overtonnaged situation is ruining what could be a lucrative period for bulk carrier owners. Importers are being encouraged to purchase iron ore as there is still a global surplus of the commodity which will persist well into next year and even into 2019.

Markets are suggesting that Brazilian production will expand from 371m tonnes for the year just ended to 480m tonnes in 2020. Australian production capacity will increase almost as much, from 835m tonnes to 934m tonnes over a similar period. Surplus production in the world, which now stands at 20m tonnes will increase to 56m tonnes in 2018. Citibank suggests that it will then fall to 8m tonnes by 2019.

There is no shortage of large mining projects being planned. The Roy Hill mine in Western Australia, largely owned by Australian billionaire Gina Rinehart, is poised to increase production to 55m tonnes. Rio Tinto's Silvergrass mine in the Pilbara region, a possible 20m tonnes per annum development, will benefit from a newly-agreed $338m investment. Fortescue is still hitting its production targets while BHP Billiton is waiting in the wings with its South Flank mine ready to be brought into production as its Yandi mine slowly runs out of reserves.

But it is fortunate that iron ore miners are quite a prudent bunch. The world's top producer, Brazil's Vale, decided to reduce the global surplus by delaying the introduction of exports from its $17bn Carajas Serra Sul expansion project in the country's north-eastern region. When the rail link is completed next month, it would have a capacity of 90m tonnes per annum. The company clearly favours margins over volumes.

> "It is fortunate that iron ore miners are quite a prudent bunch"

Dry bulk shipping has been a market of several parts, and still is, with sizes being a defining factor over the last year. Capesizes are now emerging from their difficult period, but with more and more Chinese 400,000 dwt bulkers coming into service, almost all Brazilian iron ore output will be accounted for. With such an important trade removed from the spot market, prosperity in the capesize sector will be challenged.

Panamax bulkers are not earning much above operating costs. And for newer units with mortgages hanging over them, they are operating well below breakeven. And until economies in the world start to get up and go, stimulate manufacturing to pull in raw materials, things will not get a whole lot better.

Supramaxes, handymaxes and handysizes are earning much the same as panamaxes, but because their smaller size brings down running costs, profits are easier to obtain. **SN**

Rio Tinto's Silvergrass is one of many large mining projects in the development or planning phase

Credit: Rio Tinto

## Boxed up

A containership should last as long as it produces profit

It came as some surprise that the freight on a container from the Far East to South America was as little as $25 – that was according to Swiss freight forwarder Kuehne & Nagel's chief executive, Detlef Trefzger, who compared it to a New York taxi fare in a recent Lloyd's List article.

Under such circumstances, it is very little wonder that Hanjin failed earlier this year. And since more newbuilding container ships are joining an already over-tonnaged market, it is only a matter of time before new casualties emerge.

There is a belief that a containership should have a working life of 30 years, but who sowed that seed into the sub-consciousness of the industry? The reality is that a ship should last as long as it consistently produces a profit. If it does not constantly have black ink at the bottom of the page, its continued existence should be questioned.

In a poor market which continually records figures in red ink, owners must demonstrate good business sense and send tonnage to the scrapyard, regardless of its age, and never mind being the first to do it.

And with the occasional 40ft container earning only $25 for a voyage from the Far East to Santos or Buenos Aires, a simple mathematical calculation demonstrates the problem. A typical ship would be about 8,000 teu. So the freight would be about $200,000 for a trip of some 56 days or about $3,600 per day. Bunkers would amount to about $1.2m. The port charges alone would soak up the freight. In a year, the ship would lose close to $12m.

Of course, this is a worst-case scenario with most containers attracting much higher freights. Some ships are making profits; not huge or satisfactory amounts but better than nothing. But even the mighty Maersk Line recorded losses last year and this against a background of an already large scrapping policy throughout most of the industry. **SN**

## Tanker talk

Things are complicated in the oil market. While iron ore giant Vale has demonstrated it favours margins over volumes through its decision to delay the introduction of exports to reduce the global surplus, the same cannot be said of Saudi Arabia, the world's largest oil producer. Towards the end of last year, it cut production by about 100,000 barrels per day (bpd). But this is still a higher production figure than occurred over the last five years.

In fact, the country had a period between 2004 and 2008 when it produced close to 11m bpd and the 100,000 bpd cut has now brought output down to about 10.7m bpd. So it seems volumes are still everything, not margins. And as Iraq and Iran are refusing to cut output, oil prices will continue to remain low.

At prices at or below $50 per barrel, the oil sands and fracked oil from North America will not be economical to recover.

There are some 30bn barrels of recoverable oil and 132trn cubic feet of natural gas in the Chukchi Sea, on the west coast of Alaska. Two years ago, the Obama administration approved a plan by Shell Oil to drill exploratory wells in the area. But the fall in oil prices and the enormous cost of exploration in these Arctic regions took its toll and the Shell venture came to an end. The area is ice-bound for most of the year and is only navigable for four months in the summer.

Any subsidy from the US government would therefore include a large expenditure on new 'super' icebreakers to replace or augment the two 40-year old Polar class icebreakers and the 1999-built US Coastguard ice breaker *USCGC Healy*. Under the Jones Act, the vessels will have to be built in the US and will come in at about $700m a piece.

The US becoming self-sufficient in both energy and hydrocarbons will have an ongoing effect on the crude oil market in terms of imports. But surplus clean petroleum products will underpin MR, LR1 and LR2 trades from the US to the rest of the world.

The bunker industry is also experiencing a change in direction. Complacent shipowners tended to ignore the approaching deadlines for the introduction of low sulphur fuels. It was thought that nothing would happen until 2022 at the earliest and most probably be delayed until 2025. Then in October, the Marine Environment Protection Committee at the IMO decided that the introduction of reduced emissions for ships will take place in 2020, a mere three years away. Thus, decisions on one of two options must be taken sooner rather than later.

The first option is to burn marine diesel oil (MDO), an expensive decision as the difference between fuel oil and MDO is currently about $175 per tonne, or 50% higher, and likely to increase when the demand for MDO increases.

The second option is to introduce exhaust scrubbers. This is an expensive exercise involving three months in dock, heavy weights and extremely large pumps. Also, the environmental cost of washing sulphur into the oceans may not be tolerated within some country's EEZs. Rising acidity and lower oceanic Ph levels disorientate fish stocks so that they find it difficult to return to their spawning grounds. It also reduces the ability of crustaceans and shellfish to grow hard protective shells.

Shipowners have until 2020 to choose between the lesser of these two evils. **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**

**Simon Clark**

**Daniel Martin**

**Q** It is now over nine months since Implementation Day under the Joint Comprehensive Plan of Action (JCPOA) and the first phase of sanctions relief. What progress have we seen and what issues remain with respect to trade with Iran?

**A** The first phase of sanctions relief left many sanctions in place, but there were substantial changes to the EU sanctions and the US secondary sanctions (i.e. those with extra-territorial effect). These were expected to lead to a significant increase in trade between the EU and Iran.

There was a particular focus on oil and gas (Iran has the 4th largest oil reserves and the 2nd largest gas reserves in the world) but also a general focus on Iran's $400bn economy – second only in the region to Saudi Arabia – and 77m population.

Under the sanctions relief many important Iranian businesses, such as IRISL, NITC and Iran Insurance Co, were removed from sanctions lists, and restrictions on trade in several commodities (including oil, gas, petrochemicals and metals) were suspended.

These changes did lead to an increase in trade, with reports of a 22% increase in trade in the first four months of 2016 and further reports that shipments of crude oil and condensate from Iran in September 2016 reached 2.8m barrels per day, the most since the middle of 2011.

It also appears that non-Iranian flagged vessels are now willing to call at ports in Iran. According to informed sources, non-Iranian flagged vessels calling at Bandar Abbas during the week commencing September 21, 2016 included 13 containerships and 32 other vessels.

These positive signs need to be balanced against the fact that there are still restrictions in place, and businesses need to take care and exercise due diligence to ensure that they do not fall foul of the continuing sanctions. They also need to be sure that they have the support of their banks and insurers, who remain wary of Iran-related transactions.

## Cautionary tale

As PanAmerican Seed found to their cost, the US Office of Foreign Assets Control (OFAC) is continuing to enforce historic sanctions, as the JCPOA does not include any amnesty for historic violations.

In September 2016, PanAmerican Seed agreed to pay $4.3m to settle alleged sanctions violations between 2009 and 2012 relating to 48 shipments of seeds (primarily of flowers) to Iran. The value of the shipments was around $770,000 but PanAmerican Seed could have been fined up to $12m. The settlement they agreed, while less than the maximum, was still over five and half times the shipment value.

The key issues to ensure compliance are, firstly, making sure that you/your clients are aware of the remaining restrictions and their impact on your business. This remains a complex area, and the need to obtain expert advice is critically important. Secondly, understand which sanctions apply to you/your clients. Do you/they employ US nationals, use US banks to process transactions (for example, because they are in US dollars) or have employees who travel to the US and work there, even if that is only responding to emails while on vacation? If so, US primary sanctions will apply to you/them. Thirdly, you and they need to carry out and be able to document detailed due diligence on all of your/their counterparties. This means knowing who they are and being able to check that they are not owned or controlled by or acting on behalf of a sanctioned individual or entity. Iran presents numerous opportunities, but pitfalls remain for the unwary. **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.*

**Companies still need to be cautious when dealing with Iran**

Credit: Dragon Tactic

**Q** In State infrastructure projects, how does an investor challenge a Sovereign State?

**A** The building or development of roads, railways and ports remains one of the most necessary expenditures of States engaged in international trade. It is particularly necessary for developing countries seeking to rapidly expand the level of trade they are engaged in, and often requires foreign investment and expertise. Foreign investors are courted accordingly.

However, no matter how good the terms of the deal may look, there is always a risk for foreign investors that a State reneges on its promises of how the investors will be treated and plays the national sovereignty trump card as a defence. For example, a State may provide assurances about how a foreign investor will be taxed on profits it makes on building, for example, a shipyard, only to change taxation legislation half way through the project and deprive an investor of its profit margin, or even cause the investor to suffer serious losses. The extremely harmful effect of this could be that foreign investors refuse to work in States they deem risky, and as a result stifle legitimate economic development.

This potentially unhelpful and inefficient situation for both States and investors was addressed by the World Bank through the establishment of the International Centre of Investment Settlement Disputes (ICSID) which was created under a multilateral treaty that entered into force in 1966. ICSID provides protection to investors through the existence of a reliable dispute resolution process.

There are currently over 150 contracting States who are obliged to recognise and enforce ICSID arbitral awards. As a result of ICSID, a State cannot simply cry sovereignty because it can be challenged and held to account by foreign investors. In existence for over 50 years and with 550 cases to date, ICSID has provided confidence and security to investors investing into States.

## Challenging a host State

The ICSID Convention provides the rules designed for the resolution of disputes between investors and States with the two main legal instruments being the ICSID Convention and the ICSID Additional Facility which are supplemented by further regulations and rules. ICSID also handles disputes under other rules such as the UNCITRAL Arbitration Rules. This article only addresses proceedings under ICSID rules.

The ICSID Convention provides the framework for the conduct of arbitration proceedings. To bring a claim, the dispute must arise out of an investment, the parties must be either a contracting state or a national of a contracting state, and both parties must consent in writing to the jurisdiction of ICSID. Consent is established either through a contractual ICSID

arbitration clause or pursuant to national investment legislation or international treaties, such as bi-lateral investment treaties or multi-lateral investment treaties.

ICSID as a body does not decide any disputes. Arbitration tribunals are constituted in each case and are vested with the power to decide a dispute. Awards are final and binding and cannot be set aside by the local courts of member states, which helps depoliticise ICSID proceedings.

Publicly available data shows that ICSID claims have an average value of $500m and proceedings are generally costly and lengthy. The average dispute costs each party just under $5m and lasts just under four years. Investors should therefore always consider whether they have the resources or the desire to fund and pursue such litigation. However, it may be encouraging to investors that just under half of cases are won by investors as it suggests that no serious biases are at play.

ICSID's healthy case load, with even the most powerful states such as the US being brought into proceedings, demonstrates the level of empowerment given to foreign investors to challenge States if they consider their investments are unjustly jeopardised. **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 Simon Clark, Daniel Martin and Guy Main. Research was conducted by Margarita Kato. Simon is a partner in the Insurance & Reinsurance Group in HFW's London office. Daniel is a partner and Guy a senior manager (partner equivalent) in the Shipping Group in HFW's London office. Guy is also a Fellow of the Institute and, before joining HFW, he spent 18 years as a shipbroker. Margarita is a trainee solicitor at HFW.*

holman fenwick willan hfw

**Investors do have some protection when committing to state projects**

# Netherlands – a branch in the offing

The Netherlands, a country many know firstly for windmills, cheese and the canals of Amsterdam. But it's also a country with a rich maritime history and its second largest city serves as Europe's largest port, with more than 446m tons of cargo moving through Rotterdam annually.

Other than serving as the 'R' port in ARA port range, Rotterdam is also home to a number of multinational shipping companies and is a growing maritime business centre. There are many universities offering different levels of education in the industry, both ashore and at sea.

The Institute has been hosting professional exams in the Netherlands since the early 1990s, but past efforts to establish a branch didn't take root.

That has all changed now thanks to a team of enthused members and fellows based in the Netherlands, who have over the last few years organised networking events, a local PREP and giving the occasional lecture at the Rotterdam Mainport University in Rotterdam, the location for exams these past 20 years.

Austin Dooley and Roderick Schlick, an American and a Dutchman who met at Prep in 2005, kicked off the newest effort and, aided by an energetic team of locals and expats, want to see the Institute plant a branch flag in the ARA region.

The team includes Darja Koplova, Tamara Buijsse, Joanne Kelleher, Jeroen Visser, Guus Verhagen and Peter Molloy. The committee meets quarterly and has tapped into the expertise of some of the past members and fellows involved with earlier attempts to launch a branch.

**Networking events have proved popular**

The team has put together a mailing list of over 100 members, fellows and students in the region and is hard at work planning a full calendar of events for 2017. Fellows, members and students in the region are welcome to make contact with the leadership team by email: Netherlands@ics.org.uk or via the membership team at Head Office. **SN**

# Cocktail evening celebrates ANZ students

The Australia and New Zealand Branch hosted a cocktail evening aboard the magnificent museum ship, the iron barque Polly Woodside.

The event was partly sponsored by Gearbulk Australia Pty Ltd, and attended by a host of dignitaries from the maritime industry of Australia and New Zealand.

The function has become an annual event on the Melbourne maritime calendar, bringing together maritime professionals for an evening of networking. A usual feature of the social evening is the award presentation to students excelling in the Institute's Professional Qualifying Examinations.

This year, the Mike Byrne Branch Award for the student obtaining the highest aggregate mark was awarded to Annabel Davies from Talbot Underwriting Ltd. Ms Davies was also awarded the Excellence Award for obtaining a Distinction in the subject *Legal Principles in Shipping Business*, sponsored by Holman Fenwick Willan.

The following students also received Excellence Awards for obtaining a Distinction in a subject: Christian Becker from Thenamaris LNG Inc for *Economics of Sea Transport and International Trade*; Loh Zhan Wen from Swire Shipping for *Introduction to Shipping*; Jingsong Li from New Zealand Steel for *Shipping Business*; and Samantha Iqbal from Pacific Forests Products for *Introduction to Shipping*.

**Guests enjoyed the museum ship surroundings**

A very pleasant evening was had by all, with the function spilling over into the pub next door until the early hours of the morning. **SN**

## BRIEFS

### New chairman for South Africa branch

The Institute's South Africa Branch has appointed a new chairman, Eddy Neilson FICS and Master Mariner.

Mr Neilson spent 11 years at sea attaining his master foreign going certificate, followed by 11 years at Grindrod/Unicorn. He has also run his own shipping business for the last 20 years.

Mr Neilson became a Member of the Institute in 1994 and has since been promoted to a Fellow.

### Workshop success in Melbourne

The Australia and New Zealand Branch ran a successful two-day bespoke chartering course and workshop in October at the Centre for Adult Education, Melbourne.

Eleven people attended the event; six were from CSL Sydney, three from Viva International, one from Louis Dreyfus and one student came from Latrobe University.

The Branch is looking to run a similar course in 2017. **SN**

# South Africa Branch discusses ports' regulator

The South Africa Branch hosted its second luncheon of the year at the Royal Natal Yacht Club in Durban.

Andrew Pike, director of Bowman Gilfillan, Ports of Africa and A-Cubed Consulting, spoke at the luncheon about the Ports Regulator of South Africa (PRSA).

He covered various aspects and duties of the Ports Regulator, as well as its mission, and legislation that PRSA and Transnet National Ports Authority adhere to.

Although PRSA is facing numerous challenges, Mr Pike said that, since inception, the PRSA has saved the industry more than Rand5bn.

He concluded that in order for PRSA to fulfil its potential – and its mandate – changes need to be made to the National Ports Act. These include giving PRSA more powers of enforcement, clarifying ambiguities and making the National Ports Act more user-friendly.

The Branch would like to extend its thanks to Mr Pike for taking the time to address its members, students, stakeholders and guests. **SN**

# MOL celebrates award winner

Robyn Siebritz, key account manager, reefer sales at MOL, won the Award of South Africa's Branch Prize Winner for the subject of 'Legal Principles in Shipping Business'.

This was Miss Siebritz's final exam to complete the Institute's professional qualifying exams.

Iain McIntosh, regional trade and sales manager at MOL, South Africa, said: "As one of the Institute's lead examiners for liner trades, and also having Robyn working in my team, it gives me immense pride to see her successfully complete the Institute exams."

Miss Siebritz had initially set out to complete only the foundation diploma but ended up working her way through the remaining exams, two of which she managed to pass while in Hong Kong on a ten-week assignment with North South Trade.

"Robyn has made us really proud with her sincere determination and serious efforts to pass these exams in such a short timescale, also balancing a demanding day job," said Mr McIntosh. "She truly deserves the success and with such efforts, is sure to earn more in the near future." **SN**

# Hong Kong Branch appoints new chairman

Joseph Chau has been appointed as the new Hong Kong Branch chairman. He succeeds YK Chan as the Branch representative to sit on the Controlling Council.

Both Mr Chau and Mr Chan visited London to attend the Controlling Council workshops and meetings in October.

Mr Chan took the opportunity to participate in the Autumn PREP course in October, giving a 'Documentation Masterclass' with a focus on the importance of the Bill of Lading in international trade and its relevance to charter parties.

**Joseph Chau (right) succeeds YK Chan**

# Students attend Institute opening evenings

A number of branches held open evenings in September with access to staff, tutors and examiners to allow potential students to find out more about the Institute's examinations.

The Hong Kong Branch had 31 people sign up to its open evening. The 16 course books, together with promotional leaflets and copies of the *Shipping Network* magazine were displayed, and three short Institute videos were shown. The branch executive committee also spoke about the Institute's mission and encouraged constructive discussion on professional qualifying exams among its guests.

The Cyprus Branch, meanwhile, had around 40 interested students attend its event. It gave a short presentation about the Institute and the benefits of being a member. This was followed by a social hour to answer any questions.

In China, the ITC hosted a successful evening in Shanghai. With a relaxed atmosphere, and good food and drink, it introduced the Institute's courses and provided answers to questions.

The Liverpool Branch had 12 local people attend its open evening to enquire about the Institute and the education courses. **SN**

**Hong Kong Branch welcomed 31 students to its opening evening**

# Liverpool golf day attracts 12 teams

The Liverpool Branch hosted its annual golf day at Heswall Golf Club on September 14, with 12 teams taking to the course.

The day started with soup and sandwiches at lunchtime before the players ventured onto the greens. After battling the course and the warm weather, the eventual winners were MA Logistics.

After their exertions on the course, everybody retired to the clubhouse for a three-course meal and drinks before the prizes were presented.

The individual winners were Paul Kenny, MA Logistics, who was named 'Player of the Day'; Barry Stokes, who won the Mike Armitt Cup; and Seb Gardiner, who was awarded the Keith Duncan Salver.

The day was a great success and the Branch would like to express its gratitude to Barry Stokes and Seb Gardiner for their efforts with the arrangements. ***SN***

**Paul Kenny, Barry Stokes and Seb Gardiner picked up prizes on the day**

# New horizon for global co-operation

The Institute of Chartered Shipbrokers and the Qualification Authority of the Ministry of Transport People's Republic of China jointly supported the seventh International Shipping Strategic Development Forum, which took place at the Shanghai Ballroom in September.

The forum attracted more than 300 industry participants from across the world, including the Lord Mayor of the City of London, Alderman the Lord Mountevans, who said that the forum represented a "golden age" for the relationship between China and the UK.

He also expressed supreme confidence in the future of co-operation of maritime industries and finance sectors between the two countries.

Deputy Mayor of Shanghai Pudong New Area Jian Danian also attended the event. He said that Shanghai Pudong is determined to promote global co-operation of its maritime industry and takes the lead in pushing the Classical Shipping Development Program in China.

Zhu Chuansheng, the deputy director of the Qualification Authority of the Ministry of Transport, highlighted the demand for well-qualified and well-trained shipping professionals in China.


**Hong Kong Branch co-supported the international shipping forum**

The training program, which is co-hosted with the Institute and the Ministry of Transport, helps to promote professionalism, standardisation and internationalism in Shanghai's shipping industry.

A ceremony was also held at the forum to present the awards for the Best Students of the Institute of Chartered Shipbrokers Classical Shipping Development Program in China. ***SN***

# Full calendar for Hong Kong Branch

Hong Kong Branch was a supporting organisation to a seminar organised by the Hong Kong Institute of Arbitrators – *An Introduction to Sports Arbitration* – presented by Rui Botica Santos on November 8.

Additionally, the branch jointly organised a seminar on *Maritime Cyber Risks* with the Hong Kong Shipowners Association on November 15 as well as organising the *Maritime Law* seminar for this year's Hong Kong Maritime Industry Week 2016.

Further, the branch has updated its profile in the *Think Marine* booklet, which was distributed during Maritime Awareness Week, November 12-18.

It also confirmed its support of the Asian Logistics and Maritime Conference 2016 in November, as it has in past years.

The Branch finishes the year with its annual Christmas Cocktail Reception on December 15, 2016.

Meanwhile, the Institute's Training Programme, jointly organised with Taiwan International Ports Corp. (TIPC), is running extremely well in Taipei with the sixth semester starting in September 2016.

Professor Chou Heng-Chih, department of shipping and transportation management, National Taiwan Ocean University, conducts weekly lessons on *Shipping Finance* in Taipei, while Dr Arthu Hsieh from Eastern Media International Corporation runs bi-weekly lessons about *Dry Cargo Chartering* in Kaohsiung. ***SN***

# Chapter event brings shipping together in Brisbane


**ANZ representative Svetlana Androsova organised the event**

Svetlana Androsova, commercial advisor for a large gas company in Brisbane and the Australia and New Zealand Branch representative in Queensland, organised a shipping gathering in Brisbane in August.

Shipbrokers, charterers and maritime lawyers came together for drinks at the famous Pig & Whistle Riverside pub, located at the Eagle Street Pier on the Brisbane River.

Topics of discussion included the current market for dry cargo and LNG shipping, as well as how shipping cycles work, the current low oil price environment and perspectives of the oil markets.

Ex-LNG vessel masters present also shared their own stories about incidents at sea. ***SN***

# The Institute presents Sworn Shipbroker medals

At the Institute's prize giving dinner at Mansion House in London in October, South Wales and West Branch was proud to see their Fellows Alan Humphries and former Institute director Barbara Fletcher receive the Sworn Shipbroker medals.

This was a great honour for both as South Wales and West Branch members have only received one Sworn Shipbroker medal previously. ***SN***

**Alan Humphries and Barbara Fletcher proudly display their medals**

# Institute training in the Philippines

Following the signing of a Memorandum of Understanding with Magsaysay Learning Resources in April, Julie Lithgow, Leif Ollivierre and YK Chan, the then Institute Hong Kong Branch chairman, participated in the Grand Launching Ceremony of the partnership between Magsaysay and the Institute in August in Manila.

The ceremony was attended by Magsaysay's top management including guest of honour Captain Alfredo V. Vidal Jr., deputy administrator for operations of the Maritime Industry Authority.

During the ceremony, Mr Ollivierre delivered a seminar titled 'Commercial World of Shipping Explained' to a group of around 42 practitioners, mostly from ship management.

It is hoped that the Institute's training programme could be structured to suit the requirements in the Philippines, bringing in guest speakers from the Institute and its Branches from time to time. ***SN***

# Cyprus Branch celebrates 20th anniversary

This year's Cyprus Branch Annual Gala Dinner was held at the Columbia Plaza Venue Center with over 120 people in attendance.

Members as well as distinguished guests from the local shipping industry attended the event.

The branch chairman Xanthos Kyriacou FICS welcomed guests and thanked all members for their ongoing support of the branch. International chairman Michael Taliotis FICS followed with a speech updating all guests about recent developments in the Institute.

The speeches were followed with the Merit Awards to the Understanding Shipping students and the presentation of the WISTA Award to the female student with the highest grade in the last PQE exams.

The event was doubly special as it was also the 20th anniversary of the branch and to celebrate all past chairmen of the Cyprus Branch were called on stage to cut a cake. ***SN***

**Cyprus past and present chairmen cut the anniversary cake**

# Annual prize giving

This year's Institute of Chartered Shipbrokers' prize giving ceremony was held at Mansion House, by the kind invitation of the Lord Mayor of London, Lord Jeffrey Mountevans, himself a shipbroker. The event was organised in conjunction with the annual meeting of FONASBA, making for a truly memorable evening to celebrate our student's successes.

## Callum Wilkinson, winner of the Clarkson Award

"This was very unexpected. It was really hard to gauge how the exams went, so when I scrolled through the results list at one o'clock in the morning to see if I passed and I saw my name on the prize winners list, it was a bit of a shock."

## Vassilios Patonis, winner of the President's Prize, Peter Talbot Willcox Memorial Award and the Baltic Exchange Award for Shipping Law

Vassilios sat all seven exams in one academic year and picked up not one, but three prestigious awards this year.

But it wasn't a walk in the park, says Vassilios: "I sat five exams in April and two in November; it was harsh. At first I thought I'd have a life, and then I quickly realised that these exams are actually quite tough."

Previously employed in a law firm, he found the legal side of the exams easier to understand. And while he found other topics more challenging, he appreciated the insight those gave into the different facets of shipping. "I actually fell in love with it, which is why I think I was able to do all of this work."

The face-to-face teaching available through the Institute was particularly appealing to Vassilios, allowing him contact with professionals who were able to transfer their professional and academic knowledge. "This meant that I was able to really get an insight into the industry. I had excellent teachers, and the fact that we were having weekly lessons and hearing things over and over really helped.

"Overall, I feel elated that I have been awarded these prizes. Being recognised for something I've done is a great feeling."

**Marcus Chew, winner of the Port of London Authority Award and the Shipping Professional Network in London Award**

"I am proud to receive these awards. Completing the exams was a good way to build up my knowledge and set the right foundation for my career in shipping, as I had only started two years ago."

**Education and Training Committee chair Susan Oatway (left) congratulates Maria-Ioanna Meletsi, winner of the Michael Else & Company Award**

**Damir Utorov, winner of the William Packard Memorial Award**

"This is the first education prize I've ever won and I did not expect it at all. It was only after I attended International PREP that I thought I might be able to make it, so thank you to the PREP tutors!"

Sailors' Society

# Transform a life with Sailors' Society

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

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

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

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

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

Charity registered in England and Wales no: 237778

# A big welcome to our new members

Robert Hill explains how Members can make the most of their Institute membership

Robert Hill

It is always a great pleasure to welcome new Members to the Institute and congratulate those promoted to fellowship. I know how hard those individuals have worked to obtained membership so they truly deserve our admiration and congratulations.

Membership to the Institute confirms an internationally-recognised professional qualification in the shipping industry. Members are entitled to describe themselves as Members of the Institute of Chartered Shipbrokers and use the post nominals MICS; Fellows are entitled to describe themselves as Fellows of the Institute of Chartered Shipbrokers and Chartered Shipbrokers and use the post nominals FICS. Where possible I would encourage members to use their post nominals on their business cards and email signatures. You have earned your membership, so be proud of it.

Networking is an important element in the shipping industry and the Institute offers opportunities to develop and grow your professional network. Members can choose to opt in to the members' directory in the database (**www.shipbrokers.org**) which will allow other members of the Institute to see their contact details and allow them to network and develop opportunities. Members are also invited to join the Institute of Chartered Shipbrokers Members Only LinkedIn group. This will also allow you to network easily with other members in the group. Members are encouraged to comment and offer insights on current shipping industry news and issues as well as Institute matters.

I encourage all members in a branch to actively participate in their branch. Even if you are not associated with a branch, all members are welcome to attend all Institute and branch events anywhere in the world so when travelling please check the events calendar on the Institute website (**www.ics.org.uk/events**). Even if there is no advertised event you should still make contact with the local branch when you are travelling as branches are always happy to welcome visiting members. We are a global Institute so make the most of the global network to support your business, to make connections and to socialise.

## Passion for learning

Students are still flocking to the Institute with slightly more students sitting exams in the November examination session compared with last November. A growing number of students are completing the Institute's Professional Qualifying Examinations as a means of gaining entry into the shipping industry. It is wonderful that so many people recognise the value of our qualifications, but without the necessary industry experience they are not eligible to apply for membership. How can the Institute help students with this modern-day challenge?

"Make contact with the local branch when you are travelling as branches are always happy to welcome visiting members"

A willingness to help others succeed is one of the things that makes the Institute special

The Membership Committee has come up with a solution and recommended a specific group be established for students who have completed the Professional Qualifying Examinations but do not yet have the required professional experience to apply for membership. This group will keep them in the Institute family and give them access to the Institute network to assist them obtain the necessary professional experience to be eligible for membership.

Fellows have an obligation to give back by mentoring and supporting students and new members and help them develop their career in the shipping industry. We all must support the next generation coming through the ranks. Fellows can help members and students in their career by encouraging their company to employ those that already have or are willing to study Institute qualifications and by utilising the Institute network to publicise job openings.

We can all learn from Fellows sharing their wealth of knowledge and experience by contributing to *Shipping Network*, our LinkedIn group and the Institute's knowledge hub.

Thank you to all those Fellows and Members who are already supporting the next generation by providing employment, supporting them through their studies, mentoring them, volunteering time to help write and review books, acting as tutors, examiners or assessors and volunteering to work on committees. This support and willingness to help others succeed is one of the things that makes our Institute special and makes me very proud to be a member. SN

# Elected to Membership

We congratulate and welcome the following who were recently elected to membership and promoted to fellowship:

### Australia
Jerom Geerts

### Bulgaria
Stanislav Achanov

### Canada
Ivan Sandev
Simon Brown
Sydney Bridges
Gemma Chinnery

### China
Hongda Tang
Hanwei Qian

### Cyprus
Lazaros Charalambous
Nicolas Papados
Antonis Ioannou
Despina Toumazou
Christos Masouridis

### Denmark
Heidi Koerner
Munir Gupta

### Germany
Joshua P R Saenger
René Ernest Seibold
Julian Matzner
Thomas Julius Matzat

### Ghana
William Steele-Nettey

### Greece
Yianna Mitsi
Amalia Miliou-Theocharaki
Aggelos Pavlou
Konstantinos Geroulakos
Ioannis Theodorou
Ioannis Zizas
Vasileios Kostopoulos
Alexios - Marios Bougioukos
Alexandros Bougiouris
Ioannis Kourkoulis
Marinos Markezinis
Michael Somos
Vasiliki Agapitou
Troyee Banerjee
Konstantinos Machairas
Stavros Kairis
Petros Sachperoglou
Ilias Dimakopoulos
Ignatios Dasyras
Ioannis G Rakintzakis
Stavros Tavoularis
Maria-Ioanna Meletsi
Dina Maria Apostolou
Angeliki Avramoglou
Stavros Kontizas
Efstratios Zafeiriadis
Vasileios Patonis
Konstadina Karagkouni
Petros T Kefalonitis
Iliana Koukoutsi
Gkolfo Bei
Stamatis N Tsantanis
Capt Andreas S. Georgiou
George D Gourdomichalis
Manolis Kavussanos
George C Lambrou
Nikolaos Veniamis

### Hong Kong
Tsz Mei Chan
Captain Bopanna Mandanna
Ka Yi Hui
Zhang Chenxi

### India
Capt Guarav Sood
Capt Nidhish Menon Ramankandath
Saif Khan
Bhavesh Haswani
Pramod Kunnath
Saurabh Singh
Hardik Pragnesh Sanghvi
Prasad Jambhekar
Jai Prakash Tyagi
Aditya Iyer
Adityav V Mehendale
Captain Manindra Singh
Ankita Anil Brid

### Ireland
Carol-Anne Farrington
Kevin Walker
Matthew Pavitt

### Italy
Carlo Alberto Palomba

### Kenya
George Katama Mwangiri
Walid Mohamed Ali Awadh Timimi
Mwanajuma P Goshi
Khamis Kiti
Leonard Mwangi
Jescah Webure

### Malta
Jonathan Farrugia

### Myanmar
Thant Zin

### Netherlands
Bart Splinter
Damianos Kamenos

### Nigeria
Sunday Oiseomaye Imohiosen

### Norway
Alexander Grødeland

### Pakistan
Syed Zeeshan Ali Bukhari
Muhammad Shahzaib
Muhammad Alam

### Qatar
Fotios Zeritis

### Singapore
Zacharias Kapellakis
Indranil Ghosh
Danish Mirajkar
Lawrence Teo Jing Long
Benjamin Dudman
A R Jude Darren
Jack Redmond Gébler
Jose Galaura
Capt Jagadeesan Natarajan
Deepak Kumar Sahu
Goh Wei Xiang
Varun Kapoor
Prabhu Singh
Yixuan Wu

### South Africa
Bernard Wands

### Sri Lanka
R D S Nuwan Rathuwithana
Shehan Perera
H K M D Premasiri
Jayamanna Mohottige Don Singith Tharaka
Waruna Supeshala Abeynayake
Sachithra Dissanayaka
P R D P Perera
Weliwita Sayakkarage Nimesha Indika
Dissanayake Mudiyanselage Janani

### Switzerland
Jean-Francois Commaret
Sonja Hietz
Leonidas Demetriades-Eugenides

### Turkey
Serhan Ozcan

### Ukraine
Alexey Zabusov
Andrey Avramenko
Oleksandr Veresklia
Dmitriy Bychkov
Iuliia Lysenko
Igor Kolomiytsev
Anton Kulchytskyy

### United Arab Emirates
Debaditya Talukdar
Shalini Muralidharan
Vengatesan Sundaramoorthy
Saiju Zachariah
Algernon Rothwell
Harshad Soman
Suresh Nautiyal
Rajashekhara R K

### United Kingdom
Gill Birchall
John Williams
Damian Green
Nick Walker
Guy Barton
Alexander Hawksley
James Edward Armstrong
Marcus Chew
Kevin Parker
Nial Delaney
Bleddyn Davies
Amy Scherer
Timothy Webb
Edward Cook
Boriss Kaigorodovs

### United States
William Parker
LaKisha Bertke
James Lightbourn
Dhruv Thapar

## Promoted to Fellowship

### Germany
Maxim Stolyarov

### India
C G Prashant
Saikumar G

### Italy
Mustafa Aydin

### Kenya
Joseph Ongiri

### Malaysia
Panichellvam Ratnam

### Singapore
Robert Voelzer

### United Arab Emriates
Narayana Prasad Pariyarath
Capt Chiranjeev Singh

### United Kingdom
Roland Durnford-Slater
James Cheshire
Michael Jones
Ben Panesar

## Re-elected to Membership

### Australia
Capt Norman Lopez

### Ghana
Michael Kwasi Dzikunu

### India
Jayanta Banerjee

### Jordan
Amin Kawar

### South Africa
Capt Grant Bairstow

### United Arab Emirates
Captain Sudhir Kunnath

### United Kingdom
Nicola Sayer

## Honorary Fellows

### Greece
Prof Costas Grammenos
Haralambos J Fafalios
Nicky A Papadakis

### United Kingdom
Rodney Lunn
Chris Isherwood

# Calendar

What's on where January to April 2017

## January events

**19 January**
London Branch
Social pub evening
London

## February events

**16 February**
November examination results announced

**23 February**
South Africa Branch
Branch Luncheon
Durban

**24 February**
Germany Branch
Annual Dinner
Hamburg

**TBC February**
North East of England Branch
Annual Shipbrokers Quiz Evening

## March events

**17 March**
South Wales and West
Annual Dinner
Cardiff

**17-18 March**
South Africa Branch
Prep Weekend
Durban

## April Events

**3 April**
Deadline for registration for the May examination session

**6-9 April**
Institute Prep
University of Warwick, UK

**27 April**
Liverpool Branch
Annual Dinner
Liverpool

Hamburg container terminal

# The Secret Broker

## Still or sparkling water? Try clean!

Just as the World Trade Organisation makes the unsurprising observation that world trade will not be growing at the rate previously predicted it seems that Maersk has realised that its 18,000-21,000 teu ships cannot operate in isolation at the top of the tree.

They have realised that they will need feeder ships to support their logistics operation, but where are those feeder ships? I remember when the container industry classed feeder ships of between 500 and 1,000 teu capacity units. Now a feeder ship is upwards of 3,000 teu.

Thus, orders for this type are being categorised as answering the need for feeder ships, but unless something really dramatic occurs in world trade, ships of this size will end up servicing routes in their own right. With the recovery so many 'experts' foretold not happening, the future of mega-containerships is not assured.

The outlook is bleak; the term "anti-globalisation" is becoming a new buzzword. Consider Adidas in Germany: now, rather than employ cheap labour in China and Vietnam they are building a new, fully automated factory in Germany utilising robots and 3D printers to produce their sports shoes closer to their actual consumers. Transportation costs including sea freight are much reduced. This is a real example of how things are changing.

Price Waterhouse Cooper says that 37% of goods presently carried in boxes are directly under threat from 3D technology. Hence we conclude that a recovery in shipping is probably still many years down the road.

Over a few beers with some broker friends, the subject of this long-awaited recovery became a discussion point, yet again. Where are all the analysts that delivered prognostications of a recovery in two years' time back in 2014? Surprise, surprise, they are keeping a low profile. Happy to trundle out their fables and myths, these analysts are pretty quiet when none of it transpires.

### Ballast bounce?

A far more meaningful study would be one on how the ratification of the IMO Ballast Water Management (BWM) convention may affect shipping when it becomes effective on September 8, 2017. The magic number of 35% of global gross tonnage has now been exceeded by acceding parties by virtue of Finland's ratification in September this year. But what does this mean? Well, invasive species will no longer have free rides in vessels' ballast water tanks which they have enjoyed thus far and their damaging effects will be limited.

But is this all a bit too late? Ask anyone involved in maritime environmental damage in the Mediterranean or those fighting the effects of the King Crab invasion and they will likely say yes. Marine ecosystems have been under attack for hundreds of years. The current estimated cost of this problem is $100bn per annum.

And what might this mean to shipping? Well, if fitting a recognised system costs about $1m that may encourage owners of older ships, especially bulk carriers, to consider it's not worth the expense. The predicted recovery (back to those analysts again) may not be sufficient to save them in time. Losing thousands of dollars every day isn't a good business plan.

Consequently, we might see an increase in the number of ships being offered for recycling. If this happens then there is a real chance that the number of ships in excess of world trading requirements may be substantially reduced. This would effectively contribute to the much-vaunted recovery we have been promised by the pundits.

But this will be nothing to do with their calculations on increased trade or commodity production; it will be simply a matter of getting rid of some that massive oversupply of ships by the back door. No matter, we'll be happy no matter what spearheads the recovery. Three cheers for the environment; I'll take my water clean please! SN

# the stern

## Shipping gridlock in start-up sights

Three recent MIT Sloan School of Management graduates have pounced on an 'opportunity' in shipping: alleviating global shipping gridlock and unlocking $2bn in waste every year.

Through a Boston-based start-up, Hive Maritime, the trio have pulled together real time ship positions, weather models, and macroeconomic factors into a proprietary algorithm which can predict the future location of all vessels.

They believe that they can do this with enough certainty to understand traffic congestion and queueing patterns, allowing the routes of individual vessels to be optimised. It's Waze for shipping – yes, I had to look up Waze as well.

The forecasting tool will, Hive promises, "optimise a ship's course and speed to minimise fuel expenditure, reduce machinery failures, improve cargo throughput, and prevent contractual late fees".

It's all very promising, but while on a surface level it might address known problems, what it can't do is 'read' the nuances of an international industry with countless layers of complexity, where it's not always in everyone's interest to speed up or slow down. ***SN***

## Signing on to the Mayflower project

Want to be involved in a pioneering autonomous ship project? Simple, just pledge a few pounds to the Mayflower Autonomous Ship project and you're investing in a project to build a solar-powered data collection, remote rescue vessel.

A collaboration between MSubs, marine research foundation ProMare and Plymouth University, the project aims to construct a ship that can be controlled by a computer, or by a captain sitting behind a virtual bridge onshore.

It will travel to inhospitable parts of the world to conduct scientific research and collect data and there will be unmanned aerial vehicles plus life rafts on board so that it can respond to a distress call from seafarers, and be first on the scene to render assistance.

As part of a crowdfunding initiative, you can write you name into history: for £20 you can put your name on the boat; for £50 you can put your family's name on it; and for £35 you can put two names and a significant date.

The aim is to raise £300,000 from the crowdfunder to create a model and conduct trials. If successful, the next stage is to get the ship built and into the water by 2020 so that it can follow the route of the Pilgrim Fathers.

**Supporters can get their name inscribed on the ship**

Now that would be a Christmas gift with a difference. ***SN***

## Got a good idea?

Sticking with the futuristic theme, Wärtsilä has announced that it is "increasing the speed of reinvention", inviting anyone with an interest to partner with it to face industry disruption head on.

Says the manufacturer: "If you have a problem, insight or an idea that you can't develop yourself, come to us and let's discuss it."

It has established a new Innovation Board – catchily titled the Winnobooster – and is looking for collaboration partners to innovate the future.

Channel your ideas to Wärtsilä's innovation guru Egil Hystad on +47 90983716 or egil.hystad@wartsila.com. ***SN***

## Shipping Speak

"As a maritime community we need growth that is coordinated and planned and synergies that are identified and acted on; collaboration across the sector is vital"

*Kitack Lim, IMO*

"Achieving an industry free of corruption is a slow process; it's not going to happen overnight but if we work together as an industry we can make it easier."

*Sam Megwa, Chairman, Maritime Anti-Corruption Network (MACN)*

# Find your next move

**The Institute and Spinnaker Global work together to promote the value of professional qualifications and training. A selection of our latest vacancies is below, visit spinnaker-global.com for our full listings.**

## Junior Panamax Broker, London

An established and reputable broking house, is looking to appoint a Junior Panamax Broker to join their expanding team in London. Currently, they are looking to add to their team with talented brokers. Ideally, we are looking to speak to people with good market relationships and a solid track record who are looking to be a part of a growing endeavour. Candidates will have at least 2 years' experience in the Panamax market.

To apply, please go online:
www.jobs.spinnaker-global.com/go/HQ00010433

## Ship Repair Broker, Greece

We are currently working with a renowned dual broking house / technical engineering company with a fantastic reputation in the market, who are looking to appoint a Ship Repair Broker to join their growing team in Greece.
As the Ship Repair Broker you will be responsible for promoting and representing ship yards worldwide for the Asian markets.
To apply for this role you should have at least 2 years' experience in Ship Repair Broking and have an established network of clients.

To apply, please go online:
www.jobs.spinnaker-global.com/go/HQ00010346

## Dry Broker, London

An international ship broking company is looking for an experience Dry Broker to join their team in London.
This is an exciting position that will allow you to build up the dry side of the business focusing predominantly on Handy to Ultramax vessels. In this role you will be responsible for negotiating with cargo and ship owners on a regular basis and securing business with existing clients as well as bringing in new key accounts.
To apply for this role you should have around 2 - 4 years' experience in the broking and have an established network of clients within the dry market.

To apply, please go online:
www.jobs.spinnaker-global.com/go/HQ00010336

## S&P Broker, Singapore

Looking to progress your S&P experience in the Asian markets? A highly recognisable broking house is looking to appoint a Sales and Purchase Broker to join their offices in Singapore. To be considered for this role you must have a minimum of 2 years' experience as an S&P Broker. Knowledge of the tanker market is highly desirable. You will be eager to learn and grow with the company.
Singaporean working entitlement is essential to be considered for this role.

To apply, please go online:
www.jobs.spinnaker-global.com/go/HQ00010148

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