SHIPPING Network

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Promoting professionalism in the shipping industry worldwide

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Something old, something new

Anchoring shipping to the digital era

Grasping the importance of tech | Overcoming barriers to collaboration | Freight forwarder evolution

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Creating an environment of professional development

Investment is needed on skills development, afloat and ashore, says Institute director Julie Lithgow

Julie Lithgow

When it comes to the employment, education and skills challenges facing the maritime industry, we must consider what each of us as employers can do to strengthen and support the careers of those that will follow us. Why? Because our pensions depend on the decisions of the next generation.

It's no secret that we face numerous challenges in attracting, training and retaining the people we need in our industry at sea and ashore, but the solution is more nuanced than simply recruitment and retention.

For example, if the European Commission succeeds in expanding the Blue Economy initiative, an increase in jobs could also create a shortage in skills. While external training initiatives are good steps in overcoming the skills gap, our industry needs new ways of attracting smart, talented and ambitious people, including those who are considering a career change.

Perhaps our best move is to create a better culture within our companies for talented people to pursue careers in our sector. To make this happen, we need an environment of professional development, and access to education and training.

Most importantly, we need to appreciate that meeting the industry's skills challenge is not an optional extra. It requires companies to invest in order to survive. By our reckoning, at least 50% of employees under 40 should be actively engaged in some form of professional education.

Learning and development

For me, the importance of maritime trade and its contribution to the economic development of our world cannot be overstated. But the young people that I talk to through my work at the Institute don't seem to feel that sense of relevance and egotism I had in my twenties when I discovered that shipping runs the world.

Instead, they are worried about being able to continue their career in our sector because of our seeming inability to match cargo demand to tonnage supply. But that's not the hardest conversation I have with them.

The millennial generation from which we should all be recruiting into our middle management teams are more risk averse. They want to work more collaboratively and less competitively than previous generations. They also believe in through-life learning and development, and expect to only work for companies for five to eight years. Oh, and they expect to find their work fulfilling and interesting too.

To ensure that our industry is fit for the future means that we also must engender within our people a curiosity of the wider shipping world. We need to nurture within them the importance of continuous development and learning. Wanting to study more, to learn more, must be a habit we should have within ourselves and develop in others.

Companies must invest in their staff's learning potential

Overcoming challenges

Of course, this has its challenges, not the least of which is institutional. According to Spinnaker Global, there was a 10% increase in the recruitment activity for senior positions in 2016, suggesting that at the top end, this market is buoyant; the baby boomer generation is retiring, and succession planning has, in many companies, been only looking at those one step from the CEO. But it's time to plan four steps from the CEO.

We also face an automation challenge. There are great benefits to technology, but we have to remember that with industrial revolutions comes significant social disruption. We hear a lot about vessels becoming automated but let's not forget that automation could also mean people are left with tedious and mundane roles. We should also recognise that the more we de-skill at sea and increase control and intervention from shore, the better and better qualified and skilled those shoreside staff will need to be.

The final challenge is of transition, which for many people means coming ashore. There are numerous projects and initiatives to attract young people to a career at sea, but I want some of these people to work ashore at all stages of their careers to ensure that we can tap into their skills, education and expertise.

This isn't about plundering the sea for qualified officers and leaving shipping companies in the lurch – we need to accept that a lifelong career at sea is not for everyone. That's not a tragedy, so let's turn it to our advantage, and accept and welcome this experience into our offices.

Ultimately, the truth is that any young person who has chosen our industry should be cherished and as employers, we would be wise to invest in them. ***SN***

Julie Lithgow
Director

Taking technology to heart

If, like me, you didn't realise that we are currently in the middle of the Fourth Industrial Revolution, you need to read this issue.

Robotics, artificial intelligence, nano- and bio-tech, The Internet of Things, 3D and even 4D printing, autonomous vehicles… all these emerging technology breakthroughs have pushed us on from the Third (Digital) Industrial Revolution to where we are today, on the precipice of a world of technology-induced potential.

The jargon-filled hype is everywhere, including in shipping. Much of it is exciting and beguiling, showing us how shipping could be improved with a little digital help.

So, while I might not have known which industrial era we were in (until now), I make no excuse for all the talk of what the future holds in this issue, along with the not-so-veiled threats of what will happen if you don't adapt to the technology-led changes rapidly taking place around you.

Our students, members and fellows need to be nimble and remain open to innovation to make the most of what this Fourth Industrial Revolution can offer, and above all keep learning. Because for all the talk of "Industry 4.0", airships, autonomy, drones and the data revolution, one thing doesn't change: professional learning remains as relevant as ever, regardless of the technological whirlwind taking place around you. SN

Carly Fields, FICS
Editor


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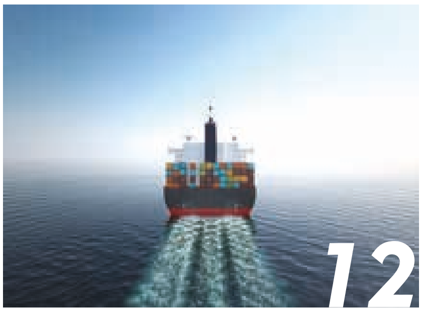

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PhotoCall for entries

Awe-inspiring seascapes, monster machines, floating steel behemoths – shipping is an industry of striking contrasts. In recognition of this, the September 2017 issue of *Shipping Network* will be our second special edition issue celebrating the imagery of the shipping industry.

We are inviting all Institute members, fellows and students to submit high resolution photos, the best of which will feature in the September 2017 issue of *Shipping Network*. The best overall photo will be awarded a prize of £500.

Categories:

- People/portraits
- Weather

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

Terms & Conditions:
The photos must have been taken within the past year by an Institute of Chartered Shipbrokers' current Member, Fellow or Student and be copyright and royalty free. There must be verbal or written consent for publication with photos submitted of people. Eligible members, fellows and students may enter **one** photo per category.

Final deadline for photo submissions:
July 15, 2017

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

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

Institute of Chartered Shipbrokers

A smarter tomorrow is available today

If technology is the answer, you're asking the wrong question, says futurist Kate Adamson

Kate Adamson

I was quoted by the *Financial Times* recently as a 'technology futurist', but that's actually quite misleading. To my mind, every futurist has to be a technology futurist, in the same way that every company has to be a technology company. In fact, in order to navigate the world sensibly in any capacity, a strategic grasp of technology development and trends is becoming absolutely essential. But as I'm fond of telling people, technology itself is not what's changing the world, it's the way we are choosing to deploy and interact with it – and why – that's crucial.

Topic: Technology

Keywords: technologies, development, automation

Background: Technology itself isn't changing the world, it's the way we're choosing to deploy it

The future of the shipping and maritime industry is a great example of that. Ask anyone what shipping's future looks like and you'll most likely find yourself in a discussion about autonomous or unmanned ships fairly quickly. There's no doubt that autonomy and unmanned vehicles are one of the most disruptive and visible meta-trends we're going to see, but the narrative within the industry is that unmanned shipping doesn't make economic sense. Taken as a technology development or aspiration in isolation then it may well not. But intelligent, autonomous transportation is developing as part of a much larger intelligent system, one which extends far outside the narrow economic model of shipping – or tonnage speculation as it could more accurately be described in many sectors.

A smart system which spans the logistics chain, from manufacturer to rail operator, port to domestic traffic and road networks changes the value proposition completely. Autonomous, unmanned ships deployed as part of the hyperconnected globally interoperable value chain being created by Industry 4.0, the current trend of automation and data exchange in manufacturing technologies, start to make a lot of sense.

The question is how fast is that likely to happen? One of the biggest issues we face is that the technologies we're dealing with now are growing exponentially, and that's something our traditional models aren't able to cope with. To try and put that into some kind of perspective it means that a technology which today represents 1% of the market, could have 100% of it within seven years. It makes predicting how technology will develop mind-bogglingly hard – believe me.

Tandem development

To complicate matters, these technologies aren't developing in isolation, they're combining to create new paradigms which could impact any industry anywhere. But where we see really profound disruption is when these exponential, combinatorial technology developments intersect with other megatrends – like shifting global demographics, and new generational mindsets.

Technology is a fundamental part of shipping's future

For shipping, these are incredibly relevant. The global population is ageing and older consumers spend money on services rather than seaborne goods. Add to that the reduction in spending power of the Millennial generation which in developed economies has been the first to be financially worse off than their predecessors. Then throw in the impact of 3D printing and its capacity to drive next-shoring – placing your production capacity near to the markets your products serve – for manufacturers, enabling them to produce goods closer to the point of consumption. According to PwC, that could translate into a 37% drop in container volumes. Industry 4.0 is opening the gates to massive gains in productivity and efficiency via artificial intelligence (AI) and automation, but it's not going to create the low-skilled jobs that will turn those young populations into consumers.

Technology is key, but what's more important is that we don't evaluate the technology disruptions coming our way in terms of the demand outlook of yesterday – we have to evaluate it in the context of a very different tomorrow.

With an explosion in connectivity, data, AI and computing power, the development of heavy-lift cargo airships and drone delivery networks in Africa, new intelligent platforms and ecosystems are already forming, breaking down traditional vertical markets and industries. At the most basic level we have to look at what value we're going to be able to bring in tomorrow – how shipping stays relevant. Because technology is only one part of the equation, and while it will likely enable your business in the future, it's unlikely to represent your competitive advantage on its own. Or to put it another way, using these new technologies, what really big problems is shipping going to solve in the future?

That should be the question driving every shipping and maritime business as it faces its own, inevitable, digital transformation. ***SN***

K D Adamson is a futurist and chief executive of Futurenautics. She is an expert in the impact of new digital paradigms, the exponential growth of technologies, global megatrends and new generational mindsets on business and society. Her non-fiction book 'Shipping and the 800-lb Gorilla' will be published in May 2017. For more information go to www.futurenauticsgroup.com and www.kdadamson.com.

How to deal with jerks in shipping

Shipping must make significant changes if it is to compete with disruptive technology, finds Carly Fields

Carly Fields

Shipping is ripe to be jerked. Not something you expect to hear every day, especially not at a software conference just outside of Silicon Valley.

But the 'jerking' of industries is a phenomenon that inventor, entrepreneur and engineer, Chris Surdak has observed over the last few years and he believes it's coming to shipping soon.

Topic: Technology

Keywords: Disruption, innovation, jerks

Background Info: How can traditional shipping companies compete with the emergence of jerk technology?

But, before we get too ahead of ourselves, what on earth does he mean when he refers to 'jerking' industries?

Mr Surdak takes its meaning from physics, i.e. it is defined as a quick, sharp, sudden movement. If you're in an elevator and it does that sickening bounce, that's jerk; when you slam on the brake of your car, that's jerk. "It's very discomforting and it's very disquieting," says Mr Surdak. "It's an instantaneous change in force and it's extremely disruptive to systems that we design as engineers." He defines Uber and Airbnb as jerking businesses.

In his eyes, jerks use information to put other people's capital to better use. "Shipping is pretty capital intensive so if I wanted to jerk the industry, all I have to do is use information to use your capital better than you are. If there's one thing you can expect in this world it's lots of change and it's accelerating; it's getting bigger, badder and less predictable as we move forward.

"We're producing titanic quantities of data all the time and how you use that data will determine your success."

Fighting back

Dealing with disruptive technology is no mean feat, but there are six things you can do as a traditional shipping company to try to fight jerks, says Mr Surdak.

The first is to invest differently: "We follow a process of discover, infiltrate and exploit. This is how we come up with new innovations. People ask all the time why did taxi companies not come up with Uber – were they not innovative?

"They were innovative, but they were spending all their time trying to figure out if they should go from big drives to little hybrids. Meanwhile, Uber wasn't innovating in a box; they switched the box."

Could this happen in shipping too? Absolutely, says Mr Surdak. "The shipping industry is currently investing in

'Jerking' could overhaul the shipping industry

The new normals

Mr Surdak has also come up with this list of six 'new normals' of the evolving world we're living in. First up is quality. "For 60 years, we've been hyper focused on quality and we've been so successful at driving quality that our customers no longer care because they simply expect perfection from every single moment and every single transaction they have."

What this has led to is that a customer's idea of good service and quality is based on what you do when something goes wrong, not the fact that you were right 99.9% of the time. So, for a process engineer or a technology person, their entire career is built on eliminating errors. Now, they have to find out what happens when something goes wrong because that's the customer's definition of quality going forward.

Ubiquity is second. "Since WWII ended we've worked on the global supply chain, we've worked on making it massively efficient – anything you want, anywhere you want. Once you give me that experience I'm ruined for anything less." So, customers expect fresh strawberries in February, regardless of season.

Third and tied to this is immediacy. "You have 30 seconds or less to solve my problem and if you don't I'm going to someone else and I'm never coming back again."

This leads to number four: disengagement. "This is the thing that should worry existing companies the most because I'm at the point now where I couldn't care less what it takes for you to give me what I want, I just want it."

Mr Surdak says that customers today don't want to see the complexity, the cost, or the regulations – they just want their product and if they don't get it, they will move on. "This idea of disengagement is incredibly disruptive to existing companies," he says.

Number five is intimacy, or something that Mr Surdak calls "creepy analytics", where online companies invest in knowing customers likes and dislikes, tailoring advertising towards that.

The last new normal is purpose: "This is particularly true of younger generations; they need to find their place in the universe; they need to figure out how they're contributing to society and the universe. If you cannot plug into that need for purpose and need to contribute, you're only a 2% app – you will only convert 2% of users into buyers.

"If these six new normals are not part of your business' strategy, you're going to get the next decade horribly, horribly wrong. And I mean really wrong." **SN**

automation to make things 2% better, 5% better or whatever. But what happens when someone comes along and 'Uberises' shipping with lighter-than-air airships that are going to move the highest value and most critical items out of your port at 150 mph?"

Second, companies must rewrite their books and drive down the cost per teu miles. Sure, ships keep getting bigger and bigger but what really hasn't changed too much is speed. Based on the customer's need for intimacy, immediacy and so on, they are likely to pay more to get products right away.

"Crossing the ocean is the slowest part of the value chain. If you can cut that in half, that's hugely valuable," says Mr Surdak, noting that there are designs out there for fully-automated 1,000 or 2,000 teu autonomous container ships moving at 40 knots. "To me, that sounds like a weapon of mass destruction but those kind of disruptive changes are going to come to the shipping industry, and soon."

Third, Mr Surdak says that companies shouldn't be afraid to break their own rules.

Fourth, shattering processes and trying something entirely new is potentially going to give companies some great results, but you have to get out of that improvement mindset and into that innovation mindset. For instance, don't think 2% better, think 10 times better; celebrate the biggest failures that led to the biggest insights; cut every cycle time in half every 12 months. "Imagine doing that in your business," says Mr Surdak. "Half you people will say you're crazy. The other half will get their heads down and do it."

Fifth, fail fast. "We're terrified of failure," says Mr Surdak. "We're told don't fail; don't do anything wrong… We're so terrified as analogues of wasting money that we're terrified of making decisions. Michael Jordan didn't measure himself on his wins, he tried to fail less."

Of course, he continues, that doesn't mean fail dumb, it means fail smart: "If I'm going to fail, I'd rather fail small than fail big. So, fail small and learn from it. A bad system will beat a good person every time."

> "The shipping industry is currently investing in automation to make things 2% better, 5% better or whatever. But what happens when someone comes along and 'Uberises' shipping with lighter-than-air airships that are going to move the highest value and most critical items out of your port at 150 mph?"

Finally, companies should seek discomfort. "What's interesting on a rollercoaster is that the chemical in your brain that registers excitement is exactly the same whether you're experiencing fear or exhilaration. It's how you interpret that chemical that determines whether you're having fun or having a bad time," says Mr Surdak.

"Everything that made you successful for the first 30 years as an analogue isn't going to work for the next 10. You should feel like you're on a rollercoaster. That's how you know you're getting things right in a world of disruption."

Mr Surdak adds that the people saying could, would, should are the ones he wants to give money to. He suggests doing an analysis of your company to figure out who is ready to embrace change and innovate. **SN**

Overcoming barriers to collaboration

Sofia Fürstenberg shares her thoughts on how to truly benefit from cross-industry collaboration

Sofia Fürstenberg

The maritime industry has been locked in a commodity game for decades now. Survival mode has been the default state of mind for many, and operational stream-lining, efficiency measures and down-sizing have prevailed. The biggest operators brace themselves with 'cost leadership' and promises of offering cheaper services year on year. New solutions are needed to bring shipping out of the commodity deadlock, as the problem with continuous cost cuts and efficiency measures is that this is a blockage against innovation.

Topic: Collaboration

Keywords: innovation, change, opportunity

Background: The benefits of collaboration are plentiful. So, why is it not happening?

Right now, we have an abundance of exciting technology opportunities around us, such as blockchain, virtual reality, robotics, 4D-printing (adding the concept of time to the 3D-printing process), smart data, nano-materials and so on. This opens new opportunities for a slow-moving and conservative industry. With a focus on cost-efficiency, however, how can the maritime industry unlock these opportunities? Who can afford to invest in front-end innovation activities when the daily objective is to cut costs?

Doing it alone is a very tough job. Thus, the key word here is collaboration. However, in an industry that traditionally regards understanding shipping as a hard-won skill, collaboration unfortunately remains an alien prospect.

The whole idea of industry collaboration is about understanding the core of a problem or opportunity, and identifying mutual value drivers for the collaborating partners to solve that problem and/or seize the opportunity together. It is about bringing all available competencies together, to solve the problem in the very best way possible. Indeed, we do see this happening in some areas of the maritime industry. Collaboration within safety, corporate social responsibility and sustainability are good examples, through, for instance, the work of the Clean Cargo Working Group and the Maritime Anti-Corruption Network. But this collaboration is not happening to the same extent in the sphere of technology innovation.

The barriers within

The industry knows it needs to change, and that innovation is needed. Yet the prevailing poor market conditions make the industry reluctant to take on more risk. This should make the benefit of a collaborative effort to solve a challenge more apparent, but this is not happening. Why is this so?

One explanation is the cultural barrier. The ship owner is comfortable in the typical buyer-supplier relationship and finds it difficult to conduct business in another way. A collaboration effort easily then turns into an awkward procurement exercise, wherein the ship owner's objective becomes getting the maximum out for the minimum cost possible. What then often happens is that the other party withdraws, because the risk inside that exploratory space becomes unbearable, and the collaboration stalls.

Another explanation is that we are stuck in a mindset that shipping is a craft. One consequence of that is that the ship owner is protective of knowledge and overestimates the benefit of walking the road alone. Here is an example: There are many new (expensive and unproven) technologies in the maritime industry, which when implemented will not actually create any tangible competitive advantage, but will instead add more intangible value, such as reducing operational risk. Surely that's an opportunity for horizontal collaboration between competitors?

Imagine how differently the industry could have approached the issue of preparing for the Ballast Water Convention. Ship owners could have collaborated, shared information with the competition about how well the systems were performing, and isolated the top three at less cost and with more confidence.

Overcoming front-end uncertainty

Collaboration in networks can take place in various types and forms, depending on the task, but also on issues such as risk, timeline, market uncertainty and regulatory readiness.

Horizontal collaboration between competitors is seldom seen in the maritime industry. Such collaboration could, however, be a smart way to break barriers of front-end uncertainty: sharing cost and risk and bringing the best capabilities together, can open new, previously not accessible, areas of competition space.

More competition space would be healthy for the entire industry, and for the sustainable performance of global trade. **SN**

Instead they have been keeping the data to themselves while undertaking costly and complex trials alone. Interestingly, in this case there would have been no financial disadvantage attached to such collaboration with competing companies, instead all parties would have made considerable savings on the validation process. A salutary lesson that being protective about knowledge can be very expensive!

A third explanation for the lack of collaboration in shipping is the lack of knowledge on how to bring tangible value from working together. Why is it that so often the collaboration opportunity is downgraded to a marketing opportunity? That the benefit becomes the mere visibility of announcing to the rest of the world that a collaboration agreement has been signed? Let's assume this is a consequence of the lack of network management capabilities.

Successful industry collaboration requires process, procedure, structure and governance, just like any development work does. This requires specific and dedicated roles within the organisations to manage this innovation network. However, if the performance of these roles is only measured against cost efficiency targets, there is a tendency to see collaboration also in terms of cost only. In this environment, we can be sure that collaborations will create minimum value.

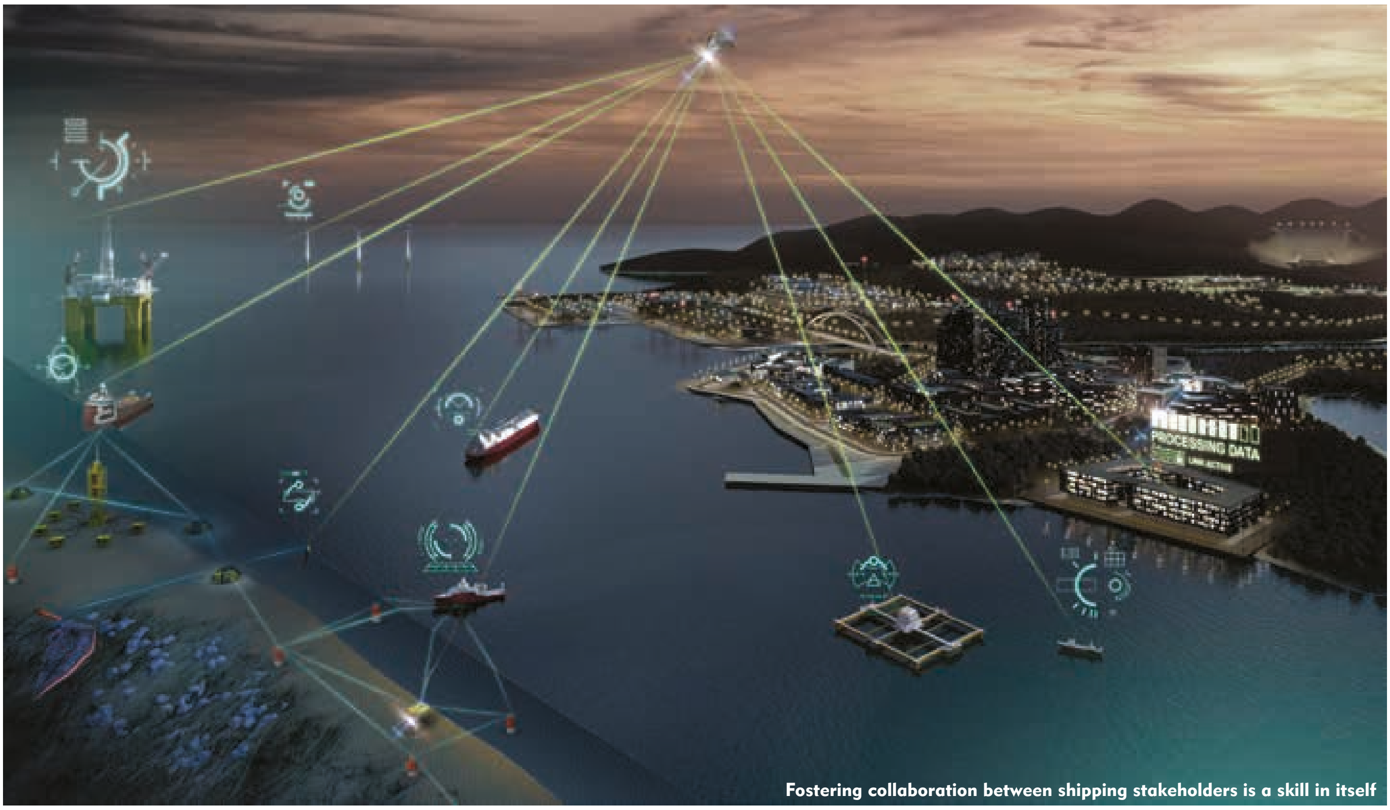
Solutions ahead

There are some positive examples of technology collaboration occurring in the maritime space. Just look at that of digital innovation. In March, Kongsberg launched Kognifai – an open and collaborative digital platform to optimise data access and analysis for maritime customers, partners and suppliers. In Denmark, public funding is supporting an initiative to build a collaboration platform to explore the opportunities for blockchain within the maritime industry. Beyond the Scandinavian peninsula, the advancement of the Singapore Maritime R&D Cluster now involves maritime innovation programmes bringing together the island's universities and shipping yards as well as the major classification societies, with a portfolio spanning green port and logistics programmes, innovation leadership and data analytics. While innovation clusters in the maritime space are still rare, but I feel nevertheless hopeful.

In the coming years, the opportunities for significant advancements in the maritime industry are plentiful. Soon, we will see digitalisation of entire fleets and the advent of true smart ships. We should see the entry of new types of commercial platforms for facilitating trade and the elongation of the transport chain with the help of drones. Synergies will be grasped between shipping, transport and ocean industries alongside the discovery of opportunities within the circular economy. These various advancements are not easily achieved. For the maritime industry to grasp these, it should focus more effort not only to learn but also to scale the skills of collaboration excellence.

Sofia Fürstenberg is a maritime advisor on innovation and sustainability. **SN**

"In an industry that traditionally regards understanding shipping as a hard-won skill, collaboration unfortunately remains an alien prospect."



Fostering collaboration between shipping stakeholders is a skill in itself

Time to fight or die

Crux Systems' Eric Klein warns of the growing digital threat to freight forwarders

Eric Klein

Before there was Expedia and Travelocity, there were travel agents. They booked your hotels, found you the best airfares and recommended cruises. They had extensive knowledge of the industry, and relied on personal relationships with their customers to provide great service. And by the late 1990s, when online travel took off, they were a dying breed.

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> **Topic: Freight forwarding**
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> **Keywords: Data, supply chain, visibility**
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> **Background: Those that figure out a way to provide customers with a more transparent and easy-to-use interface will thrive as the industry evolves**

The reason travel agents were disrupted was not because of the internet, but because of what the internet could do: provide visibility. Flight schedules and prices were no longer just local knowledge, or buried inside physical documents. Once this information was available online, it suddenly became possible to make your own plans, manage your own schedules, and compare prices. It was no longer necessary to rely on a third party to manage all of that for you.

Credit: Crux Systems

Crux's digital platform offers better visibility

The opaqueness that was prevalent in the travel industry in the 1990s is the exact same problem that plagues the logistics industry today. If I need to move a product from China to Missouri, I can't do it on my own. Without the knowledge of a logistics provider, I'm nearly helpless. What complicates things further is that moving ocean freight is vastly more complicated than passenger travel. It requires more documentation, more parties involved, and more physical steps than getting yourself somewhere by simply arriving at the airport with a ticket, clearing customs, and boarding your flight.

All of these steps, from pricing, to ocean schedules, and transport to and from the terminals, are painfully obscure. If you're trying to track your cargo coming into the US, you may need to visit dozens of different websites, log in to separate accounts to get updates and make phone calls to track down details when information is missing. Managing this when you're tracking a hundred containers a month is a time-consuming hassle. When you're tracking thousands of containers, it's nearly impossible.

Digital divide

What's changing is that the venture capital market is finally paying attention to this space, and with an influx of new money, start-ups like Flexport and Transfix are gaining market share. Meanwhile, traditional freight forwarders are in a fight or die situation. They aren't much different today than travel agents in the 1990s. The newer technology companies are aiming to change the way that people manage and ship their cargo. Freight forwarders, and for that matter, freight and truck brokers, need to decide which side of the digital divide they're going to land as a result.

The irony is that while disruptions are starting to happen, the traditional and new markets are all making the same plea. They want (and need) a seamless exchange of data about their cargo between all of the parties involved in moving their cargo from point A to point B. But pretty much everyone from the old-school technology providers to the new start-ups are reluctant to share information.

It's a fundamental flaw in the supply chain. For decades now people have been talking about collaboration, but the reality is that their platforms are walled gardens that communicate via outdated EDI standards. As a result, beneficial cargo owners are still dealing with many of the same pain points. Every single logistics provider out there, even the most heavily promoted technology start-ups, are still working off spreadsheets and phone calls. And while the clamour at trade show after trade show is "we must all work together", it's the same old song, by the same old people, who are doing nothing but talk. They want other people to share their information, but they themselves are as locked up as a gold vault.

While change is starting to happen, it's unlikely that any one company will emerge to provide complete visibility into every aspect of the supply chain due to the level of complexity and the number of different parties involved. Instead, what is more likely to happen is that some of the newer companies will solve separate pieces of the logistics visibility puzzle.

Now imagine all of those components sharing data, so you could fill in the blind spots in your supply chain and get complete visibility into your cargo from the moment it leaves the factory and is loaded on a ship overseas, to when it arrives at a terminal and is available for pickup, then departs the terminal and arrives at its final destination.

Utilising application programming interfaces, all of this data can be shared and integrated into existing systems. All it takes is the willingness of logistics providers to truly collaborate, and if their customers demand it, they will. After all, cargo data doesn't belong to any one service provider. It belongs to the people who own the cargo and are responsible for moving it.

Eliminating blind spots

When you eliminate just one of the many blind spots in your supply chain, the impacts can be significant. In the last quarter of 2016, my company Crux Systems was able to reduce demurrage fees for one customer by nearly $40,000, just by providing better visibility into container arrivals, availability, and status at the terminals.

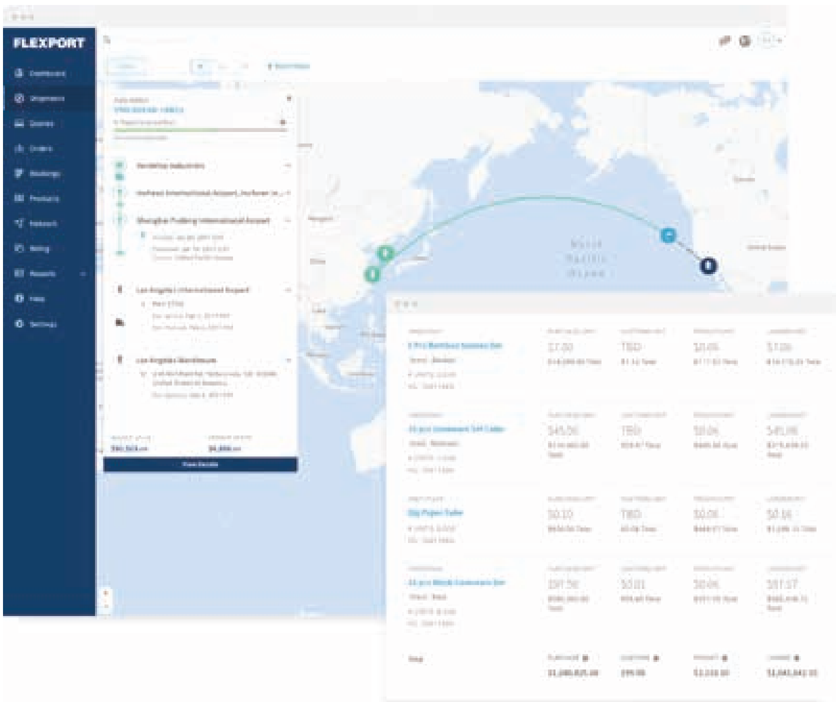
There are now less than a third of the number of travel agents than there were at their peak in the mid-1990s. But not all travel agents went away. I can personally attest to the lone travel agent in our office building who still has a long list of clientele she serves. It's fascinating to see her, with just a telephone and an ancient computer, surrounded by stacks and stacks of travel brochures of indeterminate age.

I'm sure that 10 years from now there will still be lone freight agents servicing long-standing clients who move cargo through the odd and less-travelled lanes of the world. But as a percentage of global freight they will pale in comparison to the companies who are carving out big swaths of new territory.

However, there is another path forward. A slick web application and hordes of young talent working long hours will render some traditional freight forwarders obsolete, but it will not displace entrenched relationships. Nor will it disrupt providers who offer more services than just freight agency or those serving as a NVOCC.

"I'm sure that 10 years from now there will still be lone freight agents servicing long-standing clients who move cargo through the odd and less-travelled lanes of the world. But as a percentage of global freight they will pale in comparison to the companies who are carving out big swaths of new territory."

Building all those services yourself frankly isn't feasible. And it's also not necessary. Those who figure out how to partner with others to provide their customers what they've been asking for all along – better visibility, more transparency, an easy-to-use interface – will find that they will not only survive as the industry evolves, but they will thrive. **SN**



Credit: Flexport

Flexport shuns traditional freight forwarding processes

Start-ups gaining market share

A series of start-up companies are hoping to disrupt the transport and logistics industry by using new technologies to optimise the freight forwarding process. Among the companies that are vying to become the "Uber of trucking" is Flexport, a licensed freight forwarder that uses people and software to manage the complexity of international trade.

Shunning traditional freight forwarding processes which require any co-ordination to be carried out by telephones and spreadsheets, Flexport provides a web-based app that offers real-time visibility of shipments, satisfying customers' growing desire for a more visible and easy-to-use interface to follow the supply chain from start to finish.

Another start-up company gaining momentum in the freight forwarding sphere is Transfix, which allows customers to track their shipments with great accuracy and receive alerts when their shipment is off schedule.

The emergence of these innovative companies has the potential to reinvent a fragmented trucking industry that has long relied on third-party brokers. Many of these companies have already garnered interest from some big-name investors such as Amazon founder Jess Bezos and eBay founder Pierre Omidyar. **SN**

Evolution of the freight forwarder

Troels Støvring explains how the industry can keep pace with the development of digital forwarding

Troels Støvring

Shipping has got to move with the times – there are no two ways about it. An internal survey conducted by Twill concluded that 47% of people booking container space are millennials – a number that will increase significantly in the next couple of years – and they expect to be able to reserve and book most services and products via their smartphones.

We're seeing a new generation of digital platforms springing up across the industry that will help the industry ensure it can keep pace. But what role will venture capital investment play in continuing development to ensure we are equipped for the future?

> **Topic: Freight forwarding**
>
> **Keywords: Shipping, digital, investment**
>
> **Background: As freight forwarders turn digital, investment will be key for the market's future**

In general, investors are always looking for a place to put their money where there is a good chance of high return. Digital disruption and developing industries have undoubtedly proven to be a great way for investors to achieve these returns, and there's certainly a distinct correlation between money invested and the level of disruption in an industry.

> "By investing money into a disruptive industry, the chance for true disruption is amplified and offers a huge opportunity to drive development forward on an even greater scale."

We've seen it before in the media industry: from 2000-2010 there was a huge amount of money invested in the industry, and the result is clear to see. How many of us now automatically stream our music from Spotify or watch our favourite TV series on Netflix?

If you track the venture capital that's going into shipping, it's exploding right now. There's so much money going into the industry – more so than ever before. And it's great because this is all customer driven. On top of this, investors will always look for markets where digital disruption is most likely to happen combined with the size of the industry in order to evaluate the potential return on their investment. We know that shipping is – in general – decades behind other industries, but that means that true disruption within this market will be a game-changer, and the market is huge. So, it's a very attractive industry to investors.

Moving cargo today is about more than the physical act of shipping

Ultimately, investment attracts investment – by investing money into a disruptive industry, the chance for true disruption is amplified and offers a huge opportunity to drive development forward on an even greater scale.

Tradition to innovation

The difference between traditional and digital freight forwarders lies in a true focus on the customer and their needs.

Platforms, like Twill's, exist to make shipping as simple as possible for the customer, maximising new technology and a new method of interaction. From our experience in talking to customers, there are four key pain points which they face on a daily basis – and which digital platforms aim to overcome:

1. A lack of transparency – traditional freight forwarding solutions are often cumbersome and don't provide the ability to easily track a shipment. Digital platforms offer customers the ability to know where their cargo is at every key milestone throughout the process, providing greater transparency than ever before.

2. Unexpected delays – a freight forwarder is sometimes only as reliable as the data on which it depends. Digital platforms provide the most comprehensive tracking option, and the development of proactive exception management means that if an exception should arise, customers can be proactively notified and they have the possibility to mitigate the risk.

3. Complicated document management – the shipping process inherently requires a lot of documentation. Being able to ensure that all documentation is up to date and provided at the right time is complex and often prone to errors. The entire process often takes hordes of emails to get it right – which takes up a significant amount of time. By being able to store and share all shipping documentation in one place, online, digital freight forwarders help customers to keep track of key paperwork.

4. Convoluted booking process – whatever the customer's needs, digital freight forwarders can provide an instant quote on their preferred tradelane, which makes the booking process as simple as possible – and that's not always the case with traditional freight forwarders.

Digitising solutions

Digitising freight forwarding solutions not only means creating an easy-to-use front-end for the customer to overcome these pain points – the ultimate ambition is to digitise the full end-to-end process. And that means implementing much leaner processes for freight handling, quicker exception handling and much less error-prone activity due to more standardised and automated processes. If we can achieve that, we will undoubtedly achieve a much-improved customer experience and even greater flexibility.

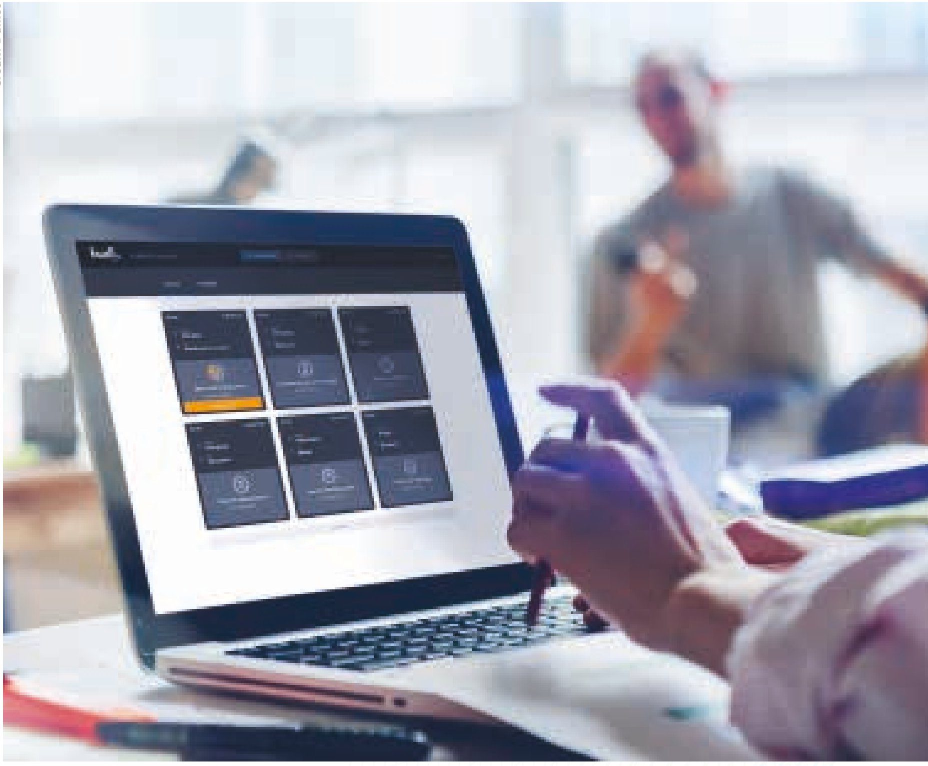
Core focus must always be on the customer – we call it customer obsession. We expect that the first to pick up the trend of going digital in freight forwarding will likely be start-ups with little or no experience of shipping – and no reason to invest in this area of expertise – as well as companies that have seen the cost of their current shipping method, and see an opportunity for how that money could be better spent creating value for their customers.

The shipping process needs to be as simple for the customer as ordering a pair of shoes on Amazon. It need to be that simple when you order a container from across the globe.

For us to get to that point in the industry's development, current investment levels simply have to continue to grow over the next few years.

We expect that the digital freight forwarder will truly change the way the industry operates forever, and if that proves to be the case, investments will prove healthy and more investors will undoubtedly be attracted to the industry. Who knows where we could be in five years' time – it's an exciting evolution to be a part of! **SN**

Troels Stovring is chief executive of Twill, Damco's new digital freight forwarder. Find out more information at www.twill-logistics.com.



Credit: Damco

Upskill for career success and longevity

Lifelong learning is crucial to personal and company growth, finds Felicity Landon

Felicity Landon

Let's start with a quote from Henry Ford: "Anyone who stops learning is old, whether at 20 or 80. Anyone who keeps learning stays young."

It's a favourite quote of Roshan Thiran, chief executive of the Leaderonomics Group and a passionate believer that we should never stop learning. "Science proves Henry Ford right – the onset of diseases such as Alzheimer's is significantly reduced if we just spend 20 minutes a day learning something new or challenging our brain," he says. "Learning is a lifelong process. At each stage, even as we mature as leaders and retire, we learn new skills and things to enable us to 'leave a legacy' and transfer our legacy by mentoring, teaching and giving back. We never have a phase in life where we don't need to learn."

1

Topic: Learning

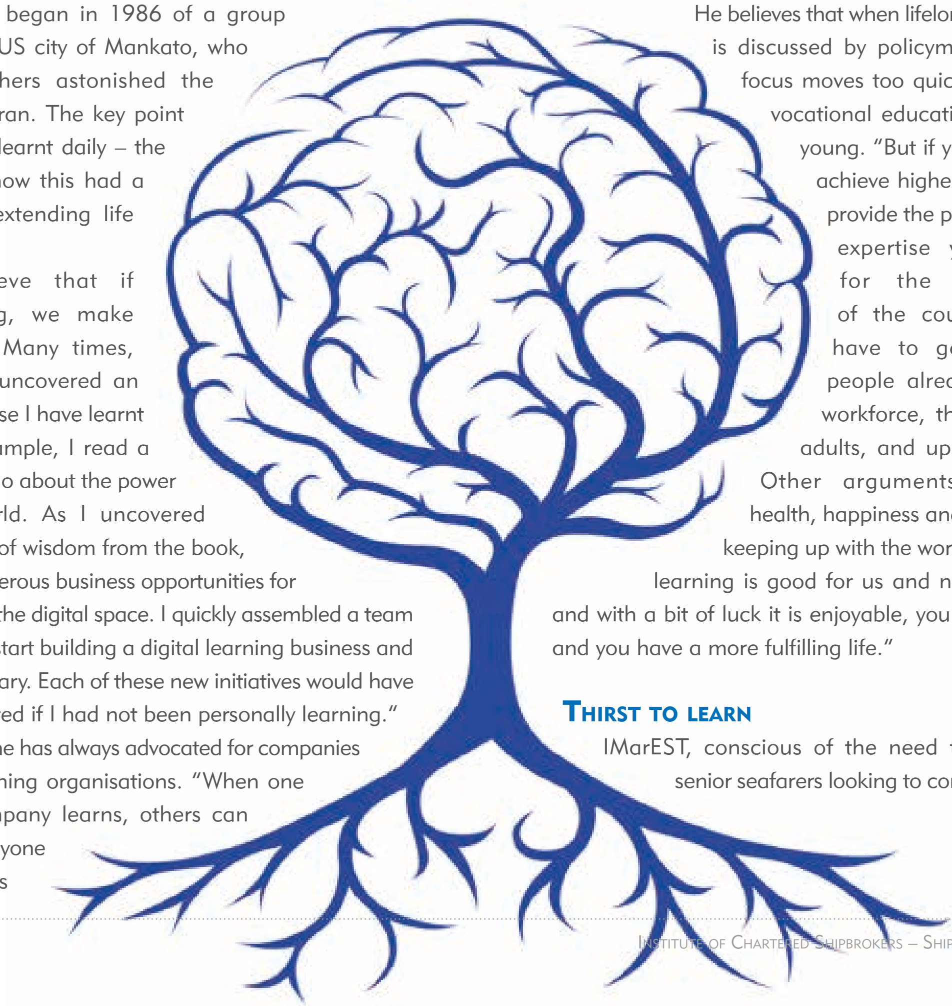
Keywords: Opportunities, career, education

Background: A willingness to learn keeps someone relevant and effective at what they do, personally and in their career

A study which began in 1986 of a group of nuns, from the US city of Mankato, who outlived many others astonished the world, says Mr Thiran. The key point was that the nuns learnt daily – the research showed how this had a huge impact on extending life expectancy.

"I also believe that if we keep learning, we make ourselves luckier. Many times, I have personally uncovered an 'opportunity' because I have learnt something. For example, I read a book a few years ago about the power of the digital world. As I uncovered numerous nuggets of wisdom from the book, I started to see numerous business opportunities for 'Leaderonomics' in the digital space. I quickly assembled a team to work with me to start building a digital learning business and a digital content library. Each of these new initiatives would have never been uncovered if I had not been personally learning."

Mr Thiran says he has always advocated for companies morphing into learning organisations. "When one person in the company learns, others can learn off him. If everyone in the organisation is learning daily and continuing to grow themselves personally, the cumulative effect tends to enable such organisations to be vibrant with new ideas, innovations and a continuously growing organisation."



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Bill Jones, professor of lifelong learning at the Universities Association for Lifelong Learning (UALL) in the UK, says: "Continued learning is extremely important for everybody, all the time. Obviously, there is progression within a career; in quite a lot of cases, people that come to us have hit the ceiling in their career and to get further they need further qualifications. There is a general truth that to progress through a career or an industry it is extremely important to make the best of your opportunities. Second, the changing world around us means that we need continuous 'updating'. I should imagine there is no area of Institute-related activity where things are static and no area safe from the need to be ahead of the curve."

There is plenty of evidence, says Mr Jones, that both physical and mental wellbeing are improved if you keep learning. "It won't stop you getting Alzheimer's but it will certainly mean that if you do get it, you get it later – there is evidence for that."

He believes that when lifelong learning is discussed by policymakers, the focus moves too quickly only to vocational education for the young. "But if you want to achieve higher skills and provide the professional expertise you need for the economy of the country, you have to get to the people already in the workforce, the working adults, and upskill them. Other arguments include health, happiness and generally keeping up with the world. To keep learning is good for us and necessary – and with a bit of luck it is enjoyable, you feel better and you have a more fulfilling life."

Thirst to learn

IMarEST, conscious of the need to support senior seafarers looking to come ashore, is continually looking at broader qualifications; transferrable skills are important and can also be an indirect outcome from continued learning, says Alan Campion, independent consultant at minus161 Consulting.

Continued learning shouldn't be just a narrow requirement to carry out something as a condition of being a member here or employee there, he says. "It is beneficial in a much wider sphere, for both the person learning and the employer. It also shows that you are making some sort of effort to remain current with whatever is happening in your own industry and the surrounding industries that affect it."

Mr Thiran says we should definitely be learning skills that are related to what we are trying to achieve, that is to say our personal vision and mission. "But at the same time, I am also an advocate of breadth – learning about a variety of fields can benefit a person in many ways. In fact, it can lead to innovation and borrowing ideas from a completely different field."

He reads a couple of books a month on topics that he would 'never be interested in or have passion for', as this enables him to 'connect the dots' and have a broad overview of all the elements of the world.

He concludes: "Continuous learning comes through reading, observing, listening, experimenting, reflecting and learning from things that are happening around you, good or bad. Lack of learning deems a person obsolete. A constant willingness and thirst to learn keeps someone relevant, innovative and, indeed, effective at what they do, personally and in their career." **SN**

"Learning is a lifelong process. At each stage, even as we mature as leaders and retire, we learn new skills and things to enable us to 'leave a legacy' and transfer our legacy by mentoring, teaching and giving back. We never have a phase in life where we don't need to learn."
– Roshan Thiran

"...A constant willingness and thirst to learn keeps someone relevant, innovative and, indeed, effective at what they do, personally and in their career."
– Alan Campion

Putting education into practice

Alan Campion, independent consultant at minus161 Consulting, embarked on a teaching career after 35 years at sea, mostly in engineering positions, on passenger vessels, oil tankers, and gas carriers.

"After 12 months of teaching, most of what I was doing was professional development courses," he says. "This was mainly parts of a master's degree and other development for people onboard looking to consolidate and build their knowledge.

"I realised very soon that it doesn't matter how much knowledge you have personally, it isn't just a matter of transferring it into other people's brains – it is much better when you put them in a position where they learn rather than you just teach. I aimed to run my courses in a way that when people left, instead of thinking 'I know everything', they left knowing there is so much to learn, and have a thirst to learn more.

"Giving them sufficient information to pass the assessment to show they have successfully completed the course is one thing. It gives people the underpinning knowledge and background. But just as important is to send them off with the information as to where the best places are to find any information – especially with easy access to the Internet, there is so much misinformation out there."

Mr Campion is a fellow of the Institute of Marine Engineering, which has moved to formalise records of CPD.

And what happens if we stop learning? He refers to the 'Peter principle', a management theory formulated by Laurence J. Peter which concluded that in any hierarchy, every person will eventually reach their own level of incompetence. The idea is based on the idea that a person's potential for promotion is often based on their performance in their current job. This eventually takes them to their highest level of competence, and then to a role in which they are not competent, thus reaching their career's ceiling.

"That theory is based to a great extent on people doing their initial learning – for example, a degree – and then getting a job in a large organisation and, as long as they are good at their job, being promoted," he says. "Therefore, they end up doing a job which they are not actually very good at. Continuous learning is one of the tools that can be used to prevent that sort of thing happening."

There is, however, a danger that you can learn more and more specialist things, ending up with such niche knowledge that it has very limited viability, he says. What, then, should we be learning? "You might know enough to be able to perform in the industry but you haven't enough experience to know what else you need to know; that is where a good supervisor or mentor can help you to progress in the right direction." **SN**

"If everyone in the organisation is learning daily and continuing to grow themselves personally, the cumulative effect tends to enable such organisations to be vibrant with new ideas, innovations and a continuously growing organisation."

How to become masters of change

Successful change management is crucial to any organisations' ability to evolve, finds Lara Shingles

Lara Shingles

Shipping is predictably unpredictable. Fluctuating freight rates, new and everchanging regulations, shock bankruptcies – the market is as difficult to predict and to prepare for as the British weather. If there's one thing that is certainly threatening to change the industry, however, it's the emergence of disruptive technology, which promises to transform shipping from an analogue, capital-intensive industry into a more digital, information-rich industry, whether we like it not.

Topic: Change management

Keywords: Change, leadership, transition

Background: If companies are to thrive in an everchanging context, they must be able respond effectively to change

If organisations are to not only survive but thrive – and keep their best people for the transformative journey ahead – they must be able to steer the kind of changes in their organisations that allow them to respond effectively to this everchanging context, and also to support their people through the huge anxiety this change will inevitably cause.

Jeremy Keeley, an independent consultant in change and leadership development, explains that technological developments mean old products become obsolete and new ones become possible; customers' thirst for transparency and efficiency increases; and competitors can suddenly change the market overnight.

Really good organisations, he says, need to be able to move quickly and effectively through these emergent challenges, and find and take advantages of opportunities in a way that leaves the organisation even better off, rather than scarred or damaged. And, there are a number of key elements needed to do this.

Stages of change

First, Mr Keeley says that it is important to create genuine consensus among the leaders and key stakeholders in an organisation about the goals of the transformation and its implications on the way people need to work and behave. Second, there needs to be genuine alignment, consistency and connection between the goals of each initiative, and the goals and values of the organisation as a whole.

Third, leaders in the organisation need to be willing to listen, learn, discuss and value resistance as natural in the process of change. Fourth, key participants at all levels in the organisation need to be willing and able to live with uncertainty, ambiguity and ongoing and rapid change, sometimes out of control and not-knowing.

Fifth, leaders must positively frame challenges and issues to continually shift the attention and mindset towards the desired outcome. Sixth, and finally, there needs to be robust and disciplined attention to the fundamental aspects of successful change management, including clarity of goals and objectives as well as stakeholder engagement.

Ranjit Sidhu, founder and managing director of ChangeQuest, also recognises the phenomenal amount of change happening at the moment, and says that being able to adapt and respond effectively is critical to any organisations ability to evolve and transform.

She too says that a number of elements underpin successful change management. Ultimately though, "it's important to develop the know-how within the organisation to support people at every level when going through change because it can cause anxiety".

Room to talk

A number of factors can trigger anxiety during a period of change, which, in turn, can lead to resistance. "Resistance to change is natural," says Mr Keeley, "and made up of many things such as fear of being worse off or unable to cope, uncertainty about its impact and bad previous experience of change."

Discussions about the aging workforce and the need for younger workers in the industry, particularly as new technologies are introduced, as well as the idea that there is no room to fail are two additional factors that could bring about anxiety in shipping people, he says.

Mr Keeley explains that this resistance often shows itself through asking lots of questions: "It's that confusion of what I believe is right versus what is happening," he says, adding that, in the main, leaders answer these questions without actually addressing the underlying emotion. "Both sides want to stay with logic and avoid emotional."

Actually, he continues, once these emotions are expressed and addressed appropriately, people find that things are not as bad as they thought and that they are able to cope.

It's important then for organisations to provide a safe space to talk openly about the fear and anxiety brought about by change, and for leaders to help their staff members to understand where they are currently and where they're going, says Mr Keeley.

"Emotional transition takes longer when you want to make a change," echoes Ms Sidhu, who likens making change in an organisation to moving to a new house: "You've got the keys and dropped off a few boxes, but you haven't had a chance to unpack and really make it a home yet so you're in this neutral, so-so zone," she says, adding that "you have to engage with people and allow them to talk about their emotions".

Make it stick

Of course, it's one thing to make change happen, it's another thing to make it stick. "Making change sustainable is often overlooked," says Ms Sidhu. "The introduction of IT and new processes takes a lot more time because you have to change people's habits."

She adds that more effort is needed to constantly share messages to reinforce change, such as sharing success stories, and to talk about the consequences of not using the new system. "It's about encouraging and supporting people to use the new stuff until it gets to the point where they just do it. It becomes normal."

It's also important to think about how somebody's job will change and how they will be rewarded, she adds: "If somebody is expected to do their job differently but the rewards are the same, it doesn't feel worth it… People need to see that they're making a difference."

Mr Keeley also says that harnessing resistance to change and giving people confidence about what the future looks like is critical to making change stick. "Building individual resilience of all the people in the organisation is key to making change sustainable," he says. "For me, this means thriving in the world as it is, not being undermined or knocked aside because the world has shown up different from what we expected, hoped or needed."

He adds that people need to be able to pick themselves up quickly when the unexpected has occurred. They also need to thrive in uncertainty; find effective ways of dealing with complexity; remain calm and centred through even extreme volatility; operate powerfully through ambiguity; and make important decisions without knowing all the answers.

"It is a topic all on its own, but in essence it requires people to be able to make choices for themselves in the most extreme circumstances," he says, "therefore needing a high degree of self-awareness and emotional intelligence; curiosity about, understanding of and adaptability to the everchanging context; resourcefulness; sense of possibility; and the ability to see opportunities to move forward." Not to mention a good dose of courage. ***SN***

Developing a new culture

There has been an increased interest in shipping pools, mergers and other joint ventures in the industry recently, as ship owners remain reluctant to settle for low rates for a long period of time. Bringing two or more organisations together successfully requires more than just shared systems and office space, however, says Ms Sidhu. It requires the development of an entirely new culture.

"Different organisations have different cultures that you'll have to integrate," she says. "You need to ask what are the cultures of the different organisations? What are their strengths? And then really think about what the group looks like when the merger has happened."

The basics to building a new culture, she adds, involves looking for strengths and good points in each organisation, and considering what the group will look like, including what its corporate values, attitudes and beliefs will be.

"Building and integrating a new culture takes even longer than implementing new systems but if you don't do it for years, you get these very disjointed organisations where one division is doing one thing and another is doing something else," adds Ms Sidhu.

"You actually have to work even harder at identifying what the shared culture should look like and then start working towards that."

Mr Keeley adds that it's important to focus on building a lasting common purpose beyond all the organisations you are bringing together, and to engage key people in building this purpose and a broad roadmap of building blocks towards it. ***SN***

"Emotional transition takes longer when you want to make a change… you have to engage with people and allow them to talk about their emotions."
– Ranjit Sidhu

Changing face of shipping finance

Auld's Robin Das examines the evolution in capital for shipping for yesterday, today and tomorrow


Robin Das

The global maritime industry is highly capital intensive and particularly debt intensive – senior debt typically accounts for 50%-70% of the capital structure. The industry constantly requires access to substantial new capital, both equity and debt, in order to replace ageing ships as well as to fund an active second-hand sale and purchase market.

1

Topic: Capital

Keywords: Equity, debt, capacity

Background: The shape and future of the shipping debt market looks bright if alternative lenders, existing bank lenders and maritime companies can spend time educating each other

Historically, this funding has come in the form of private family equity money combined with secured debt from commercial banks. A lot of attention has been focussed on the equity side and there has been an increase of publicly listed shipping companies as well as hedge funds and private equity entering the business. However, the debt side is equally as interesting, if not more so, from the industry's perspective. With huge changes in the banking industry, where will the debt come from in future and what will it look like?

Excess change

The total size of the shipping finance market is estimated at $500bn (and offshore adds a significant amount to this figure), of which more than 90% is provided by only 40 international banks according to UNCTAD. However, this assessment is already out of date and there are significantly fewer banks active today.

The latest regulation which covers banking, Basel III, will have a huge impact on banking generally and for shipping and offshore companies in particular. Banks are required to hold more capital to provide a greater buffer against systemic shocks in the global economy; in addition, this capital must be of higher quality than it used to be. The Basel committee itself estimates that global banks will need to raise €600bn of new capital to meet the new rules. In short this means holding more short term liquidity – banks have to hoard cash they might otherwise have lent.

Very simply, this means the cost of a bank loan (proportionate to the capital it uses) has had to increase, and will have to stay higher. Banks can only react one way: lend less in this market, and keep margins higher to compensate for their own higher costs.

In an extra twist, relevant to the shipping industry, lenders must take more measures to assign capital according to graduated scales of counterparty credit risk and concentration risk, that is to say allocate more capital against loans which can be deemed riskier by history and are correlated. A bank with critical mass/expertise in shipping will thus be more negatively impacted than one which doesn't lend to the sector.

As a result, bank capacity for the shipping industry is down significantly, even with the general recovery in the banking sector recently. European banks were dominant in shipping finance and many of these banks are struggling – due to regulation as well as specifically shipping credit due to the significant downturn in several of the major shipping segments. The largest lenders to the sector are exiting or reducing their exposure. Banks that remain active are cutting back the number of clients they wish to do business with – mainly the larger, higher profile shipping companies where the banks have potential for cross selling of products other than loans.

New opportunities

Thankfully, where one door shuts others have opened. Global capital markets adapt and shift capital to where it is needed and can earn appropriate returns, and that is happening now, opening opportunities for alternative lending to the shipping industry. Not facing the same balance sheet pressures, able to put their liquidity to work quickly and able to work alongside banks, not just as competitors, there are a large and growing number of very active specialist (mid-market) debt funds.

Although shipping is perceived by many debt investors as a volatile and high risk sector, over the longer term it has been a safe and profitable sector from a lender perspective – when credit risk is managed carefully. At the same time the added benefits for alternative lenders are that shipping debt is usually a floating rate (Libor plus margin) and US dollar denominated – attractive in a rising dollar interest rate environment – and offers underlying asset values that have not been inflated by quantitative easing.

For shipping companies this means more options – at a minimum a tool to diversify sources of funding. As well as traditional bank debt, there is now the option to look at a direct loan from a non-bank, privately placed bonds, second lien debt, so-called 'uni-tranche' debt (a mix of senior debt and mezzanine debt from one provider), zero coupon debt, mezzanine debt and more. In addition, non-bank credit funds generally provide much more flexible capital for corporate borrowers – for example, greater covenant headroom, differentiated leverage offerings, and, perhaps most importantly, longer dated debt with no contractual amortisation. The flip side of the coin, albeit not universally true, is that as a rule of thumb privately placed non-bank debt is more expensive than bank debt.

Equally, reduced bank capacity for the shipping industry results in attractive opportunities for alternative lenders. Smaller and mid-size shipping companies may still represent good credits, but the client selection process is critical in order to pick those companies with a good track record, management expertise and reliable ownership. Larger shipping companies will want to diversify their funding sources, even if they still view bank debt as the cheapest form of financing available, or to replace tapping bond markets while fixed income markets remain volatile.

So far, alternative shipping debt providers have focused on high return primary lending or sale and lease backs, often with high loan to value, which brings with it significant adverse selection risk. The target returns for these transactions are 10%-15%, usually through a combination of cash interest as well as other elements like PIK interest and upside sharing. So, for projects which are able to deliver these kind of returns, a number of new debt options exist today.

Untapped potential

In the secondary market (the buying and selling of existing bank debt) there has been an increasing amount of trading of shipping loans as banks such as Commerzbank, HSH Nordbank and RBS seek to reduce their exposure or exit the sector altogether. Given the pressure on bank balance sheets generally, we expect this to continue. Hedge funds have been particularly active in this market, shifting their attention from the equity side, which had been their focus in the past three to five years, to purchasing shipping loans. While this may not immediately create new maritime lending capacity, it does help to free up capacity for those banks which are active in shipping lending.

In the future we see several additional, so far relatively untapped, opportunities:

1) Lower risk primary lending (i.e. senior secured loans with moderate loan-to-value) to shipping companies as well as for limited recourse, project financing. If priced at levels higher than the traditional bank loan, but lower than the 10%-15% mentioned above, we expect there to be significant demand from the maritime industry. With interest rates of Libor plus 3.5% to Libor plus 6.0% (i.e. total interest cost around 5.5%-8.0%) this type of lending would typically come from debt funds looking for good credit quality loans as well as from insurance companies and pension funds directly.

2) Acquisition of performing loans/portfolios from banks seeking to exit or downsize their exposure, with similar characteristics to 1). This is happening to some extent already, with a number of transactions closed recently. These investors should in theory opportunistically switch between primary and secondary markets depending on pricing/terms, however they do not have the ability to originate new loans themselves at present.

3) "High yield bond" like lending to larger shipping companies – offering alternative debt investors similar yields as mentioned under 1), from larger shipping corporates looking for diversification of funding and more flexibility than what their banks can offer.

Overall, the maritime sector is huge, its importance to global trade isn't going away, and, if the three sides of this story – alternative lenders, existing bank lenders and maritime companies – spend time educating each other, we are optimistic about the shape and future of the shipping debt market. ***SN***

"Global capital markets adapt and shift capital to where it is needed and can earn appropriate returns, and that is happening now, opening opportunities for alternative lending to the shipping industry"

Robin Das is a partner at Auld Partners. Auld Partners is able to advise potential borrowers on how to approach raising funds from alternative lenders, including an initial assessment of the level of financing that can be raised for a company or project and likely terms.

Speculating on the post-Brexit outcome

Brexit could create a high level of foreign exchange exposure within the sector, says Josh Jackson

Josh Jackson

The prospect of the UK's departure from the European Union, known as Brexit, is undoubtedly a major factor which will impact on the evolution of the UK shipping industry.

As the nation with the world's 19th largest trading fleet and one that grew by 14% over the past two years, shipping is an important sector whose progress is likely to have repercussions on the wider economic success of the UK. While last year's vote in favour of Brexit caused an initial plunge in the pound and detrimentally affected some share prices, there are differing views about what it will mean for UK shipping over time.

A commonly shared view among industry analysts is that the most significant long-term threat is the potential slowdown in the world's economy. In the shorter term, there are concerns about companies in the closely associated oil and gas sector further holding back on UK investment, at a time when it is already at a record low due to the fall in the global crude price. These, along with other issues such as the rise of digital and logistical technology, are not generally Brexit-related but rather broader global market concerns.

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Topic: Brexit

Keywords: UK, economy, taxes and tariffs

Background: What will be the implications of Brexit on the evolution of the UK shipping industry?

While there is a threat that UK shipping could see an exodus of talent after Britain departs from the EU, the key questions for the industry relate more to future legislation and the level of international influence post-Brexit. The UK could, for example, still be bound by the European Union's Ports Services Regulation after it has ceased to be a member state, despite being strongly opposed to it in recent years. This could prevent the UK from following in the example of other nations like Singapore and creating a favourable regime for shipping through more competitive taxes and tariffs.

Staying power

In terms of influence, the UK is likely to retain its elected seat on the International Maritime Organisation's (IMO) council. Once it is formally free from having to consult the EU, there is an opportunity to push for outcomes that are solely focused on the UK industry agenda. While this will be a two-way street where Brussels will no longer be obliged to take into account the UK perspective, it's likely the EU's influence will be diminished on the IMO council. A number of member states – including Greece, Netherlands and Denmark – have powerful maritime, banking and insurance interests and are likely to form an influential counterweight to Brussels.

The marriage of the UK and EU has come to an end

Greece's shipping industry is very likely to push for a bold and ambitious agreement that enables British and European companies the maximum free trading opportunities. The UK is the second biggest export market for Greek pharmaceutical products and third largest for agricultural products. While the rest of the EU will have its say, Greek shipping will not want to put any of this at risk through trade barriers with one of its most important customers.

Of course, what will actually transpire in the years ahead remains to be seen. Brexit is an unchartered course with a final destination that is presently unknown.

In this period of disruption and transition, risk management decision-making within UK shipping is a challenge at best. No one can predict with any real certainty the level of tariffs and taxes on importing and exporting within the EU zone post-Brexit. The opportunities and threats presented by how these might be negotiated in future creates a high level of foreign exchange exposure within the sector.

The trick for UK shipping companies is to utilise products and implement strategies which enable them to manage this risk but also allow them to take advantage of the benefits should future developments on tariffs and taxes move in their favour.

The uncertainty and squeeze on margins that we are currently seeing means that shipping firms must also look at new revenue streams to boost profitability as well as partnership agreements which can help them maximise cost efficiency. **SN**

Josh Jackson is corporate sales executive at foreign exchange specialist Global Reach Partners.

Achieving container weight compliancy

Donald Chard tells of encouragingly high levels of conformity to box weight verification requirements

Donald Chard

Amendments to the IMO Safety of Life at Sea (SOLAS) Convention that came into force on July 1, 2016 mean that it is now mandatory for shippers to declare the weight or "Verified Gross Mass" (VGM) of a container before it is loaded.

Compliance with this new regulation has been encouragingly high, which is important because increasing containerised trade volumes and ever-larger designs of container vessels have heightened the risk of ship- and cargo-stability problems due to misdeclared container weights.

Misdeclaration of the weight of a single container presents few problems, but when multiplied by ten, a hundred or even several hundred times on one ship, the risk of loss or damage to the ship and other containers increases significantly. In the worst situation, as some recent high profile cases have shown, a container stow collapsing might result in a maritime casualty with possible environmental implications.

Despite initial concerns that shippers might not immediately comply with the new SOLAS regulations, reports from the industry indicate that compliance levels are more than 95%. In practice, few problems have occurred at ports and terminals. Unverified containers arriving for shipment have been efficiently dealt with without reported delays. BIMCO has been monitoring the situation and helping to raise awareness of the new regulations among shippers and carriers through a specialist working group drawn from container line operators, shippers and the P&I Clubs. Chairperson, Erwann Merrien, also legal counsel at Marfret Compagnie Maritime, said: "VGM is an important step forward in securing the safe carriage of containers. Compliance levels are already high. We hope that our guidance will fill any gaps in market users' knowledge."

Shippers have embraced weighing legislation

Credit: Strainstall

More accurate weight declarations have improved ship stabilities

Important guidance

The VGM comprises of the tare (empty) weight of the container, plus the weight of goods, packaging, dunnage and other securing materials. The VGM can be obtained by one of two means: Method 1 requires the packed container to be weighed using equipment (such as a weighbridge) approved for the purpose; and Method 2 requires all packages and cargo items, packaging materials and dunnage to be individually weighed and the total added to the tare weight of the container.

The shipper named on the bill of lading, sea waybill or other contract of carriage is responsible for providing the line or carrier with the VGM. Depending on circumstances, the shipper might be an individual company, consolidator or freight forwarder.

The VGM must be stated in a shipping document signed by or on behalf of the shipper and submitted to the master or the line and the container loading terminal before the preparation of the stowage plan.

These are the framework requirements. More detailed regulatory provisions are the responsibility of individual states.

Commercial issues are for the industry to determine. This includes costs where, as the party legally required to provide the VGM, the shipper will be responsible for any charges relating to the use of weighing equipment and provision of certification.

Implications of legislation

It is for the shipper to provide an accurate VGM. Stowage planners must be able to rely on the figures they are given. Weights that are incorrectly stated, whether over or under the true figure, pose the same risk of containers being loaded in the wrong place leading to the danger of a collapsing stack.

The main obligation imposed on the shipping company and terminal is to ensure that they receive notice of the VGM in a timely manner. A line is not allowed to load a container without the VGM. A line in breach of its obligations can expect to incur a fine or other penalties in accordance with locally implemented legislation.

Chris Welsh MBE, secretary-general of the Global Shippers' Forum, emphasises the importance of getting it right: "A late or inaccurate VGM might lead to a container missing its booked sailing. Apart from any extra terminal charges, delay in getting the goods to their market might mean the difference between profit and loss for cargo interests."

The nature of the shipping document containing the VGM, when it is to be provided and how the information is to be communicated, are all commercial issues. However, it is important to note that the obligation to provide the VGM arises before loading the container and, therefore, before the bill of lading or other contract of carriage is issued. On this basis, and in combination with a high level of compliance with the provisions, the working group took the view that it would be neither practical nor effective to amend BIMCO liner documentation to include an express provision confirming the VGM declaration.

It is for individual lines to develop procedures to ensure that the VGM is submitted in a timely manner and companies are adapting their systems to capture the required information. This includes arrangements for shippers to submit the VGM through computer booking and tracking systems or via separate email procedures so that the information is available in time to meet a terminal's deadline.

Arrangements will vary between lines and terminals. Shippers should always carefully check requirements because the late provision of the VGM, or failure to follow appropriate procedures, could result in a container being rejected as "out of time".

"VGM is an important step forward in securing the safe carriage of containers and compliance levels are already high" – Erwann Merrien

Weighing equipment

The VGM is determined by reference to weighing the container and its contents together or by ascertaining the weight of the component parts. It therefore follows that the VGM will be greater than a weight declaration on the face of a bill of lading which normally relates only to the cargo and not the container. Lines may, however, in the future amend their bills of lading/contracts of carriage to include an additional box for the VGM.

Weighing equipment used for establishing a VGM must meet approved standards set by local regulatory authorities. A line or terminal can therefore rely on the accuracy of the information supplied without further checking. However, in the event of concerns about a container's declared weight, it would be open to the line and terminal to investigate matters and take appropriate remedial action.

Once established, a VGM remains valid throughout the voyage and does not have to be checked in the event of later transhipment. **SN**

Donald Chard is a consultant to BIMCO and a London arbitrator.

Strainstall's weighing system receives approval

Strainstall has successfully achieved full Automatic Weighing Instruments EU-type approval from the National Measurements and Regulatory Office (NMRO) for its Container Weight System (CWS).

Strainstall's CWS EU-type approval enables complete compliance to the International Maritime Organization's (IMO) Safety of Life at Sea (SOLAS) amendment for the verification of container weights, which came into force July 1, 2016.

This is a critical milestone in the product's development as CWS is now fully approved to provide the verified gross mass of containers, assisting ports and terminals in the provision of container weighing services to their customers.

The system was specifically developed to meet the SOLAS regulations and has been successfully installed at a number of international container terminals, including on DP World Southampton's full straddle carrier fleet.

Simon Everett, managing director at Strainstall, explains: "The NMRO approval process certifies full compliance to the IMO's SOLAS amendment for the verification of container weights, and I'm delighted that CWS now has EU-type approval.

"The industry is still experiencing some issues with implementation and enforcement, so this certification will help to give customers complete confidence in compliance and their ability to provide verified weights as legislated by the IMO, using our innovative and fully integrated container weighing solution." **SN**

Blending practical and theoretical learning

Knowledge, experience and reputation have played crucial roles in Maxim Timchenko's career

Carly Fields

There was no escaping the sea for Maxim Timchenko, FICS. With a grandfather who has more than 60 years of seagoing and shore experience, and a father who has more than 30 years of experience both as captain in the Russian Navy and in ship management ashore, it was always expected that Maxim would one day join his family shipping business.

It was a destiny Maxim was content with and, upon completion of his studies, he started his career with his family's organisation. Having a Bachelor of Science in Business Management from Kings College London and a Master of Science in Shipping, Trade and Finance from CASS Business School you could say that Maxim was well positioned to take over the management of the organisation one day. Indeed, he says: "These degrees provided me with solid knowledge base on which I started building actual shipping experience."

i ***Shipping Network*** **invited two long-standing Institute Fellows to share the secrets of their success and to explain how professional learning shaped their career path**

Nonetheless, after working in various roles of the organisation for several years, including operations, financial, legal and S&P departments, when Maxim was appointed as the head of the Chartering and Operations Department, he admits that he felt that the theoretical knowledge he had was insufficient for dealing with the numerous issues which shipping can throw at you. That is when he turned to the Institute.

Attending the Institute's courses, he says, allowed him to obtain invaluable hands-on experience in shipping based on real-life examples and to share knowledge between colleagues attending the courses and the lecturers. It also gave him the opportunity to network and make new friends.

To pass the Institute's exams on his first attempt, Maxim says that he had to forget any rest for eight months and study every day after work, and every weekend after courses, all the while tending to duties at home. But his hard work and dedication paid off.

Ultimately, the Institute's courses, together with a number of training courses by Lloyd's Register and Coaltrans, among others, provided Maxim with invaluable knowledge into specific areas of the business as well as a wider understanding of the complexities surrounding the job at hand.

"As at sea, for a captain to have moral authority to command his crew, he must be the best rating, the best boatswain and the best officer in order to be able to lead by example," says Maxim. "So, in the shipping company, in order to occupy a position of authority, one must understand and be able to do himself what is required from his subordinates. Only then will the leader be able to motivate others and cultivate a corporate culture which will promote prosperity of the company and all of its members." Maxim's ability to do this has helped him to engage in a successful shipping career, becoming president of Anmax Trading Corporation in 2013.

The right training can give direction to a career

That's not to say that Maxim's career has been plain sailing, he just chooses not to dwell on his past mistakes as they made him who he is today. "Every choice we make in life leads to an experience, either positive or negative," he says. "We as human beings learn from past experiences in order to try and evolve. Even past mistakes bring experiences which may even allow us to avoid even bigger problems in the future, once we have learned to recognise them.

"We cannot change the past. The important thing is to realise where we are in the present and where we want to be in the future, both in our career and general life, in order to shape our actions and future choices accordingly."

One thing that he has learnt is that it's important to invest in people, even in a tough operating market as we face today. From the increasing number of companies which have gone bust to the decreasing number of new students enrolling for shipping education, things have been difficult. Nonetheless, Maxim believes that a supply of new talent is vital to the future of the industry.

"They may bring a new perspective with fresh eyes and may have new ideas which will revolutionise shipping – similar to the changes we are seeing today in some other major industries," he says. Having this talent on your side will allow you to come out on top of any challenges and obstacles that the market and life throw at you. "Invest in people and they will make you shine in return," he concludes. ***SN***

Learning something new everyday

Lawrence Fernandes charts his rise from the bottom to the top of Ace Global Lines DWC

For some, getting into the shipping industry is a lifelong goal. For Lawrence Fernandes FICS, however, it was a bit of an accident. In fact, Lawrence admits that he got into the shipping industry "without knowing much about it". But that didn't stop him from falling in love with it.

That the shipping industry is the backbone of global economics and international trade was fascinating for Lawrence who, at the time he started working in the industry, was just 23 years old. "It gave me a sense of importance and belonging," he says. "I was always in awe of the ships coming to the port, and had a keen interest and curiosity to learn the how, why, what, when and where of shipping."

At the time – early 1990s – the shipping industry in Mumbai was full of knowledgeable people. Lawrence quickly realised how underqualified he was with the stalwarts in the industry and, in an attempt to bring his knowledge and experience up to the same level as his interest and curiosity, he sought out the Institute to gain a professional qualification in shipping.

"The Institute has a reputation for bringing its members up to a professional international level," he says. "I went through the course material which was in-depth. Passing the qualifying exams gives you both knowledge and respectability in the market, and well equips you to handle your work responsibilities and to be ready for future growth."

With that knowledge and respectability, Lawrence went on to progress to chief executive at Ace Global Lines DWC-LLC. "The growth from bottom to the top would have been impossible with the key component of knowledge of the business, which was provided by my strong grounding with the Institute," he says.

"The Institute helps you transition from a novice to a 'qualified professional'; it gives your employers the confidence that they are investing in the right personnel; and it gives you a definite edge compared with others who might not have studied with the Institute by demonstrating your commitment to the shipping business."

> "...Passing the qualifying exams gives you both knowledge and respectability in the market, and well equips you to handle your work responsibilities and to be ready for future growth."

Increase your professional value and your company will value you

That's not to say that you can rest on your laurels and wait for opportunities to come your way once you've finished your shipping education, or trust that having the endorsement of such a respected organisation and the support of its members will be enough to sustain your career.

Never stop learning

Twenty-five years later and Lawrence says that he is still learning something new every day. And that's part of the fun: "There's never a dull day in shipping, and always a new challenge." Certainly, the shipping industry is driven by experience and knowledge; the more you know, the more you are valued.

In Lawrence's eyes, the quest for knowledge is a crucial attribute for anyone interested in pursuing a career in the industry. So too are discipline and hard work. He says that it's important to invest personal time to "go beyond the call of duty", "to learn as much as you can about your job and the business".

There are very few short-cuts in shipping, which means that professional qualifications such as those offered by the Institute are key to moving up in the industry. Being able to demonstrate to employers and seniors your ability to take on the challenges and responsibilities that the shipping industry demands is also important, he says. Essentially, "increase your professional value and your company will value you".

For youngsters in particular, Lawrence adds that shipping is not for the faint-hearted, especially in its current situation. "It needs a lot of dedication, hard work and commitment." It's full of adventures and for Lawrence it is still as intriguing today as it was back when he started in the early 1990s. SN

Elected to Membership

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

Bulgaria
Capt Atanas Atanasov
Dimitar Popov
Todor Melemov

Canada
Adelene Kassabian
Galina Belokopytova
Melissa Gobby

China
Peng Liu

Colombia
Sebastián Suárez Lee

Cyprus
Stavros Stavrou

Germany
Borislav Mihaylov

Ghana
Ebow Acheampong-Quaicoe Jr

Greece
Alexandra Anthopoulou
Alexandra Mourmouri
Andreas Makris
Athanasios Tranoudakis
Bei Marina
Charalampos Birlis
Charikleia Polomarkaki
Christian Becker
Dimitris Papantoniou
Georgia Sgouraki
Georgia Trikola
Georgios Marinos
Georgios Tsakirakis
Ioannis Minopoulos
Ioannis Politis
Konstantinos Stais
Konstantinos Xenogiannis
Maria Kasioura
Maria Skoufalou
Stavros Papadopoulos
Stella Makri-Konstantara
Theodora Kirkilesi
Tsokali Elina

Hong Kong
Zhuang Yuan
Zhuoer He

India
Animesh Garg
Anoob Jose E J
Deepak Tiwari
Haris Siddiqui
Himanshu Arora
Rahie Bali
Robin Mathews
Rochelle A Macwan
Rohan Kulkarni
Sarvesh Kumar Hukum Singh Yadav
Sonu Kumar Singh
Srinivasa Chakravarthy Varahagiri
Vimal Bhargavan

Ireland
Fabio Ricci
Mark Gaskin

Kenya
Dorothy John
Grace Nekesa
Khalid Mohamed
Liam Kimeu
Maureen Arodi
Thomas Kahindi Mwadzidze
Virginia Obadiah

Lithuania
Kristijonas Valatka

Nigeria
Obiora Efobi

Norway
David Halvorsen Roeisland

Pakistan
Capt M Adeel Farooq
Capt Salman Rajput

Russian Federation
Anton Remarchuk
Konstantin Tesnoy

Singapore
Alex Hartnoll
Alok Pandey
Anna Hupfeld
Arnold Leong
Ekaterina Belovitskaya
Gareth Ng Yong Jie
Garry Steiner
Huajian Yan
Jingjing Chang
Jinru Wu
Koon Min Wong
Mohammad Arif Nazar

Sunil Varughese
Swetlana Kumar
Tan Ker Han
Yan Zhang Soh

Thailand
Rehan Khan

Turkey
Mehmet Doymus

Ukraine
Andrey Bondarenko
Andrey Loshitskiy
Iurii Stetsyk
Maryna Gnidina
Vladyslav Kravchuk
Yevhen Antonov

United Arab Emirates
Syamchandran T R
Syed Saifulla Sadiq

United Kingdom
Abel Smith
Alexandros Mitsios
Ali Gokal
Dean Ranyard
John Derek Adams
Korneliya Simkeviciute
Lorenzo Grimaldi
Magdalena Urbanska
Michael Boni
Nicholas Allen
Patrick Britton
Pavlos Panteliadis
Ross Irvine
Sarah Berry
Siddhartha Sankar Paul
Stuart Hunter
Tom Lace
Tom Mahon

United States
Basil M Karatzas
Sabita Sharon Aranha

Zimbabwe
Andrew Tinashe Matengambiri

Promoted to Fellowship

Cyprus
Monica Georgiou

Germany
Bigott Dominic

Greece
Aggelos C Pavlou

Iran
Ardalan Ghasem Borujerdi

Kenya
Said Omar Mohamed

Sierra Leone
Max Momoh Felix Kanu

Turkey
Murat Danisman

United Arab Emirates
Mohamed Kazzali
Vijayaraghavan Ranganathan
Zain Abbas

United Kingdom
Ben Goss
Gillian Clark
Hamish Morrison
Tom Witney

United States
Rhoda Voth

Re-elected to Membership

Ireland
Derek Madigan

Kenya
Lydiah Ndumia

Malaysia
Mohamed Shaihan Lafir

New Zealand
Rasika Mudalige

Re-elected to Fellowship

Singapore
Alistair Skingley

Flying the flag

WQW's Ed Woollam discusses how to increase the user friendliness of the UK Ship Register

Ed Woollam

In December 2016, KPMG delivered to the UK Department for Transport the report the ministry had commissioned on the future of the UK ship register.

In brief, KPMG recommended a "part-privatisation" of the register by spinning it out into a "Govco", that is a privately held state-owned company which though subject to government oversight would have greater commercial freedom including over the employment terms of its staff. This is a type of structure that the UK government has already used for its Ordinance Survey and the Forensic Science Service (since closed).

The PCS civil service union was perhaps predictably negative, fearing a fall in regulatory and safety standards and a model more like the Panama, Liberian or Bahamas flags. As these are more important flags to the maritime industry than the UK in terms of their gross registered tonnage and are all white list flags (on both Paris and Tokyo MoUs), this type of response was somewhat ironic. The RMT union raised similar concerns as to the "cheapening" of the register. By contrast, the UK Chamber of Shipping considered that greater commercialisation of the UK Ship Register had become a priority in light of the Brexit vote.

Without wishing to take sides on matters administrative and political, it seems to the author that what matters is not the ownership model so much as the willingness to make some small changes that could make the UK Ship Register more user-friendly.

First, consider raising the registry's fees, for example on a ship sale or mortgage transaction, so as to enable the registry to afford to provide a service level equivalent to other Red Ensign flags like the Isle of Man or the Cayman Islands. Given the current differential in fee rates, there is room to do this without losing competitiveness. It may seem odd to suggest that ship owners should pay more fees in a market where every additional cost is painful, but the cost in wasted management or advisor time is considerably higher if the service level from the ship register is not in accordance with best industry standards. There would need to be safeguards for owners of smaller vessels, workboats, fishing vessels and so on where the service level issue is less pressing, but a type of graded fee structure already exists, namely the "Premium Service" and this could be built on.

Second, consider opening a counter in London – not necessarily permanently staffed – so that original documents, especially Bills of Sale and mortgages, can be deemed delivered to the MCA as soon as they are deposited with that counter. Given a very large number of shipping completions occur in London and will no doubt continue do so, this simple facility would make everyone's life easier – apart perhaps from the courier companies! This proposal should be no threat to jobs in Cardiff and is not intended as some kind of Trojan horse to drag the registry to London.

Thirdly, for an additional fee and travel expenses, make a provision for a registrar to attend completion meetings.

Opportunities for tonnage

Perhaps the UK just has to get away from the public/private sector dichotomy and ideological viewpoints. Privatisation is no guarantee in itself of good service delivery and one would have thought that lesson should have been learnt over the last generation in the UK.

Credit: Albert Bridge

Raising registry fees would increase revenue which could be injected back into improving service levels

The Department for Transport devotes far more time and resource to the rail transport mode than to shipping. That needs to change and hopefully KPMG's report, whether its recommendation is in the end the right one or not, will help concentrate minds. It would be very welcome to see a sustained growth in tonnage on the UK flag – especially as the UK-managed fleet is some four times the size of the UK registered fleet suggesting much potential for growth of the UK register. **SN**

Ed Woollam is director and founding partner of Wysocki Quinn Woollam (WQW), a unique independent advisory law firm specialising in bespoke transactional legal advice in the marine, aviation and rail sectors. He can be contacted on ed.woollam@wqw.legal or +44 20 3795 0232.

Ask yourself, do you run a tight ship?

Captain VS Parani discusses the benefits of a robust compliance culture in the workplace

Captain VS Parani

X was a 57-year old chief engineer of a bulk carrier. He had few more years to go before his retirement and would soon be enjoying life with his family back home. He never expected a different ending.

But, in June 2011, he was sentenced by the US Department of Justice to six months in prison, followed by two years of supervised release. His crime: he had pumped oily water directly into the ocean, through a "magic pipe".

X had bypassed the ship's oily water separator which controls the discharge of oily effluent, thereby violating international regulations on oil pollution. He made matters worse by falsifying the records and subsequently lying to the port-state inspectors who had boarded the ship. His actions cost his company $2.4m in environmental fines.

In a separate case, the US Department of Justice indicted four ocean liner executives for rigging bids and fixing prices which meant shippers were unfairly forced to pay more for transporting cargo. The companies they represented ended up paying over $100m in anti-trust fines.

In Singapore, bunker company Y was banned from operating in the world's top bunkering port. The suppliers had flouted a government rule by allowing an unlicensed operator to use its bunker delivery notes and illegally provide bunkering services to the customers of another firm.

The two employees here were professionals in uniform who thought they were doing their job in the best interests of their employers. But they ended up hurting themselves and their organisations. Such behaviour damages not only profits in the long run, but also painstakingly built reputations. Breaking the rules is simply not worth it.

If you are a leader of a team, a ship, a division, a company, you are responsible not only for your own behaviour but that of your colleagues. And the first question to ask is why do sensible people violate rules? The answer can be any number of reasons:

1. Ignorance. X doesn't know the rule;
2. Complacency. 'I forgot to do it';
3. Short-cuts. X believes breaking a rule saves time;
4. Profitability. X feels he can cheat to make money;
5. Because X thinks 'I can and so I will';
6. X believes 'no one is watching'. 'No one will catch me';
7. X thinks 'Why the fuss'? 'Everyone is doing it';
8. X asserts 'I have always done it this way!';
9. X starts bending the rules a bit. 'Let's do it just this once'. X slides down the slippery slope from where there is no return. And there seems to be no difference between bending a rule and breaking it;
10. X has a problem, and does whatever it takes to solve it. For the time being;

11. Sometimes, it's just the thrill of breaking a rule;
12. Poor judgement when faced with a choice;

This is a real problem facing businesses, including shipping companies. To solve the problem, start with yourself. Ask if you would be proud to tell your children what you did at work today? But if X or Y is one of your employees, you have another problem: how to ensure they don't break the rules, especially if you don't know who your X or Y is.

For matters of environmental pollution, a company has strict liability. Which means the polluter pays, whether it is intentional or not. You may need to prove that you fulfilled all your due diligence obligations to prevent such pollution. The answer is in building a robust compliance culture and in this respect following these steps will help:

1. Ensure all applicable regulations and possible risks to business have been identified;
2. Develop policies and procedures to comply with laws and risk management measures;
3. Ear-mark budget for compliance;
4. Communicate extensively and repeatedly from top-down to the front-line employee on how the policies and procedures should be complied with. Make it known that the means are as important as the end results;
5. Raise awareness on the topic by all possible means. Send the message that it is a priority and not just a document on a wall, or a bulkhead;
6. Train employees on all aspects of compliance. Repeat. Record. And yes, top-management should also be involved to demonstrate commitment;
7. Give the necessary technical and logistics support to help compliance. A compliance manager can follow up these processes and help keep the focus. In most shipping companies, the Designated Person Ashore wears this hat; check that they have the necessary skills, resources and time to carry out the job effectively;
8. Develop measuring and reporting systems to monitor compliance;
9. Maintain a system of periodical and un-announced audits;
10. Enable communication from the front-line to report issues or suggestions. Set up a robust and confidential whistleblowing procedure;
11. Praise compliance in public. Censure non-compliance strongly, also in public to discourage similar behaviour from others;
12. For decisions small and big, mind the values of the company, and the compliance requirements. If you are in doubt of your judgement, and for all major decisions, consult with your team;

A healthy compliance culture has in place a system of checks and balances. That has now become compulsory, especially in shipping, given new compliance requirements that arise everyday with the likes of trading sanctions and environmental regulations. In a business environment, companies increasingly only want to work with those who run a tight ship. Make sure that your company is one. **SN**

Captain VS Parani FICS, FNI, MIMarEST is the author of Golden Stripes – Leadership on the High Seas.

Leadership on the high seas

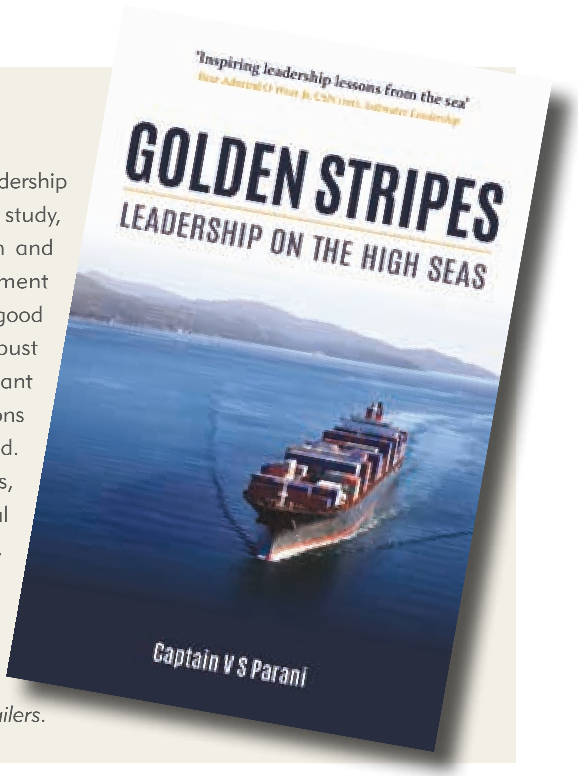
Captain VS Parani's book, *Golden Stripes – Leadership on the High Seas*, is the first comprehensive leadership book for mariners, written by a mariner. In it, Captain Parani shares the trials, tribulations and insights on his way to become one of the youngest ship masters in a fleet of over a hundred ships, and later as a corporate executive. While focused on mariners, a leadership action plan for a ship's navigator or engineer can apply to any professional.

Michael Taliotis, international chairman of the Institute recommends the book to those who strive to effectively lead their teams at sea, adding that it is also relevant to those who communicate with vessel masters, giving a strong insight to challenges associated with command, effectively breaching the divide between shore and ship.

"'Is a leader born or made? Whatever you believe it is commonly accepted, that leadership qualities can improve through study, training, methodical application and practice. Continuous improvement makes the difference between a good leader and a great leader. Robust leadership is particularly important at sea, where mistakes or omissions are judged harshly," Mr Taliotis said.

In addition to merchant seafarers, he also sees it as equally useful to ship owners, ship managers, operators, charterers, port agents and port managers. **SN**

Golden Stripes – Leadership on the High Seas is available at major book-stores and online retailers.



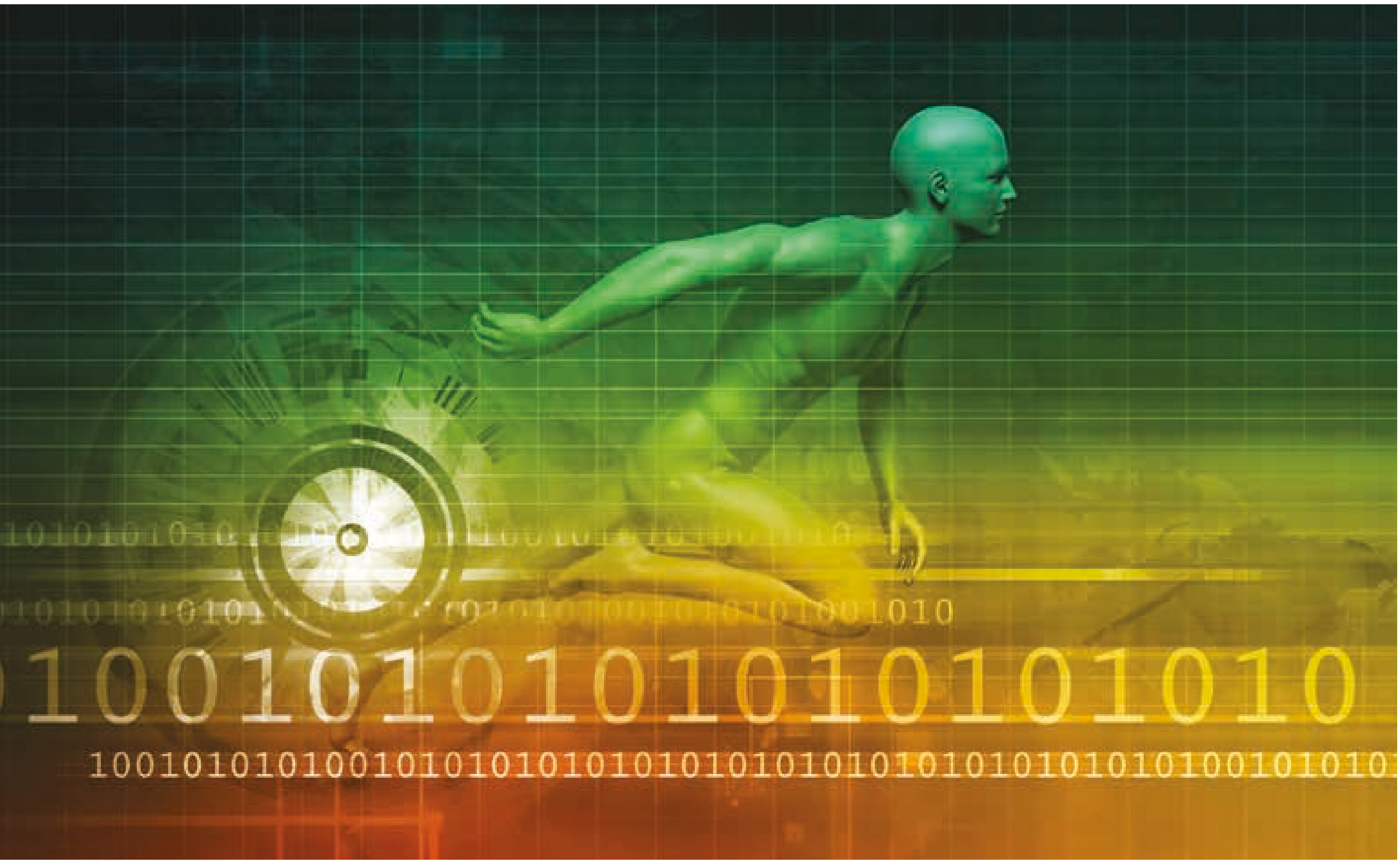
Two steps forward, one step back

Andrew Wright weighs up the pros and cons of the digital revolution on seafarers

Andrew Wright

I fear I am a great disappointment to my communications team at The Mission to Seafarers. I have made some valiant efforts from time to time but frankly I am something of a social media failure. I really must try to do better!

However, for all that some might see as my Luddite-inclined tendencies (and just ask my personal assistant about the state of my email inbox), even I can see the speed at which technology is developing – and impacting on our sector. These changes are of fundamental interest to us at The Mission, as they will continue to transform the lives of seafarers and inevitably therefore our welfare response.



Recently, I met a significant player in relation to the rapidly incoming era of driverless cars. He was explaining just how swiftly things are likely to change for us all in this area of our lives, and how it will work in practice. Apparently one of the first UK "driverless" corridors, if that is the right terminology, could be its M40 motorway – which runs between Oxford, where I live, and London, where I work. That will be fascinating. It will certainly mean a big rethink by the bus companies who transport so many along that route, including me.

He was also explaining some of the associated complexities, including the vexed issue of how insurance will work. He was equally interested to spend more time with those who face similar opportunities and challenges in relation to automated ship technology. This is something with which we at The Mission are also trying to keep pace. Clearly, the likelihood of increasing levels of reducing or non-existent crew has ramifications for us as we plan for our future.

Counting on communication

However, there is much beyond automated shipping which is of technological interest to us. At the heart of so much Mission to Seafarers' work over so many years has been the provision of access to communication tools. In pastoral and welfare terms, enabling crew to communicate with family and friends has been a top priority, as it has consistently been in their own feedback to us.

In days gone by, we supported seafarers in the writing and despatching of letters. Then there were telephones and later the provision of hard-wired computers. Email became central to the lives of seafarers, just as they did to the wider population. It seems so long ago but in reality, it's a relatively recent development!

Now of course we are in the era of WiFi, of the tablet, of the smartphone and of abundant video communication technology. What next? Our facilities around the world often reflect this story, some retaining what now seem like technological relics (telephone boxes for example) within their structures. It is my hope that increasingly these Centres will use technology to ensure that the facilities we provide reflect the kind of modern and dynamic approach which seafarers expect (there are already many great examples), along with our absolute core value – of a warm, personal welcome to all.

What is clear as I travel around the maritime world is the increasing availability of ship-board WiFi. Although this is often of poor quality and low speed, with limited access and frequently expensive, it seems clear that over the coming years many, many more ships will be offering constant high-quality and free access to the internet. That is what seafarers want and, given choice, crew will wish to gravitate towards ships having such facilities. One seafarer told me recently that he "would rather have less pay but full internet provision", but I sincerely hope that such provision will not in fact undermine pay levels.

I have heard much debate as to whether continuous access to WiFi will be a good thing or a bad thing for seafarers. Will it undermine morale? Will it unsettle them? I asked one Captain recently what he thought. His interesting response was to observe that it might help "normalise" an approach to maintaining contact with families.

At present, he noted, when internet access is available through port facilities, such as ours, communicating with families becomes the overwhelming priority for seafarers to the exclusion of other things, often within a very narrow window of time. He felt that regular ship-board WiFi will take away that pressure. Whatever, such technological development is coming and all concerned, including us, will need to adjust. How can we make our Centres attractive and welcoming for seafarers even when crew may not need to access the internet?

The downsides

In this new and fast-paced technological world other things are clear as well. Increased technology aboard, and consequently decreased crew numbers, has a number of impacts. Among these can be an enhanced sense of isolation. There is inevitably less access to ship-board community, less time in communal space, more time alone, more time, perhaps, engaged with the internet. There are fewer choices in terms of companionable relationships.

On a recent week spent on a container ship it struck me forcibly, although we all know it already, that captains have to be "community builders". My captain on that occasion had clearly built an effective and multinational sense of mutual belonging and support aboard that ship. However, perhaps smaller heavily-occupied crews present greater challenges to such development.

> "We understand the dangers of technological advance. It can enhance isolation, reduce human contact, undermine a sense of control over your own destiny"

One thing this does mean for us at The Mission, and for our maritime welfare partners, is the need to provide greater digital support. Already much is happening across the sector as we seek to find new ways of relating to, and supporting, seafarers who are spending increasing amounts of time accessing and utilising the internet.

Of course, hearing difficult news from home via the internet when you feel powerless to do much about it, can be an acute strain. Just this week I have heard the story of one crew member found sobbing in a passageway, having received bad news from family. Already, many chaplains maintain contact with crew they have met through social media, a great tool for support if used properly.

Undoubtedly, the internet will provide new ways for us to provide effective welfare responses. Such technology can enhance our ability to "listen" to seafarers and to adjust our work accordingly. Crews with family concerns will be able to contact us while at sea so that we can link them with our family support networks. Ship visits can be arranged in advance. Elements of counselling can be conducted online. Seafarers under stress can access swiftly a listening ear. More of our publications can be available online, possibly reaching a wider audience. These and many other things are fast becoming real possibilities in this new world.

A balancing act

However, at The Mission we understand the dangers of technological advance. It can enhance isolation, reduce human contact, undermine a sense of control over your own destiny. It can, simply, make for less fun and laughter and story within shipboard communities – the very things that make life worth living.

We remain convinced that the provision of committed and engaging ship-visitors with the ability to respond to practical need remains essential. We continue to believe that, where it is appropriate, high quality, modern and welcoming Centres are important. That is why we stress the value of high quality teams and facilities in ports across the world, teams made up of compassionate human beings.

Even people like me know that no-one can hold up the inevitable pace of change. We just need to make sure that it is used for good rather than for ill – and that it is never allowed to dehumanise. **SN**

The Revd Andrew Wright is secretary general of the Mission to Seafarers. To find more about The Mission and to support its work, go to missiontoseafarers.org.

Battling through the storm

Bulk dry and oil trades have a busy time ahead, finds Andrew Lansdale

Andrew Lansdale

Earlier this year, a ship's crew of 24 seafarers were placed in grave danger. The ship in which they served developed cracks in the hull while in rough weather in the South Atlantic. The *Stellar Daisy* of some 260,000 dwt, had a full cargo of iron ore on board and was some 2,000 nautical miles east of Uruguay bound for China. The ship developed a list to port and quickly capsized; only two crew members survived.

Jose Marie Cabrahan, an AB and Renato Daymiel, an oiler, were thrown overboard, but managed to struggle to the surface and board a liferaft. They were rescued by the *Elpida S*, a supramax bulk carrier, some 22 hours later. In the survivors' statements, it is clear that the ship became unstable very rapidly. Experts are suggesting that this is an obvious case of cargo liquefaction. Seawater entered the cargo holds and turned the cargo into a liquid. The free surface loss of stability would have caused the ship to list to its angle of loll. The cargo shifted during this listing, took charge and the ship will have quickly turned turtle and sunk.

The ship itself was originally built as a single hull very large crude carrier in 1993. It was converted to a very large ore carrier (VLOC) in China in 2008. It had thus had fifteen years of punishing trade as a tanker. This causes enormous strains and stresses on the hull. While tanker hulls are built to resist such stresses, even so they are gradually weakened over time.

But in 2008, when the trading days for single-hull tankers were numbered, it went to a shipyard in China for conversion. At this time, most Chinese yards were busy with full order books. Available space was only to be found in fairly new, greenfield yards. It was here that the internal subdivisions that make up a VLCC's cargo tanks were cut out. Large holes would have been cut into the main deck to provide cargo hatch squares.

Muddling through

At the same time as the *Stellar Daisy* was capsizing, a similar ship, the *Stellar Unicorn*, was being held off South Africa with hull cracks. The owner, Polaris Shipping of South Korea, owned a total of 21 converted VLCCs out of an industry total of nearly 60. The owner has developed a task force of experts to study the build and design of these ships.

Most are close to 25 years old and should be recycled. In fact, first class charterers such as Vale and Posco should refuse to accept ships over 20 years old. Japanese charterers normally refuse to consider ships older than 15 years and their industries do not appear to have suffered. And the act of removing more than six million tonnes deadweight of bulk carriers from trade would certainly provide a shot in the arm for the dry bulk market. More importantly, it might save a few more seafarers' lives.

Are rough waters now behind the oil and bulk trades?

But in general terms, dry bulk carriers are not doing too badly. Older tonnage, free of financing costs, is not earning fortunes, but are muddling through. In terms of world trade, some analysts are predicting that Japan's period of deflation and negative interest rates will end and that a rise in the country's GDP of close to 2% will give it a rise in both raw material imports and increase the export of manufactured goods, both good for shipping.

The US, under Donald Trump's economic plans, is set to double its GDP growth by the end of next year. This of course, is welcome news to Far Eastern manufacturing hubs. US unemployment figures appear to be trending downwards which together with the GDP forecasts are always good for consumer confidence. In fact, there is a quiet confidence in the world that things are finally returning to a more normal atmosphere where the unusual world of zero rates and injections of quantitative easing will no longer be necessary to sustain a modicum of expansion. Economies in countries such as Russia and Brazil are even beginning to stir and European industry is also showing signs of improvement.

Upwards cycle

In the longer term, shipping has now started on its' upwards cycle. Capesize rates are now averaging above $12,000 per day compared with an average in 2016 of $7,400. And as usual, growth is China-driven. Its coal imports are up by more than 50% and iron ore growth is in double-digit figures. It is interesting to study the growth in the seaborne iron ore trade in the last fifteen years. It was about 500m tonnes in 2002. Forecasts from market analysts expect that this amount will have increased to nearly 1.5bn tonnes by the end of this year. And other trade volumes have seen similar increases. Optimism in the dry bulk sector has seen ship values increase by between 10% and 20% this year depending on their size sector.

Tanker talk

Chinese oil imports reached more than 9m barrels per day earlier this year, providing a boost to tanker rates. But US production is on the increase as the Saudi Arabian strategy to drive shale oil, oil sands and tight oil companies to the wall has failed.

The number of rigs being utilised on the US mainland is steadily increasing and oil exports have topped one million barrels per day. So, a reduction in imports has borne down on crude oil rates.

In addition, nearly 100 new VLCCs will be delivered this year. We have already seen the large number of idle Iranian ships come back into trade, so rates are proving difficult for owners to push up.

On a brighter note, lighter crude oils from western hemisphere producers in the US, the Baltic, Europe and West Africa are successfully competing by selling their oil to Indian Ocean and Far East countries. Longer haul crudes are useful in reducing tonnage supply. **SN**

Boxed up

Container trades will take longer to recover than dry and wet trades. In 2016, rates, even though very low, were supported in two ways. Large amounts of scrapping reduced tonnage supply. The second support was the postponement of deliveries of newbuildings; some 400,000 teu was involved.

But this year, deliveries resumed. And a further 1.2m teu will be added by year's end. Added to which, some expected rises in freight rates had persuaded some owners to keep their ships trading rather than recycle them.

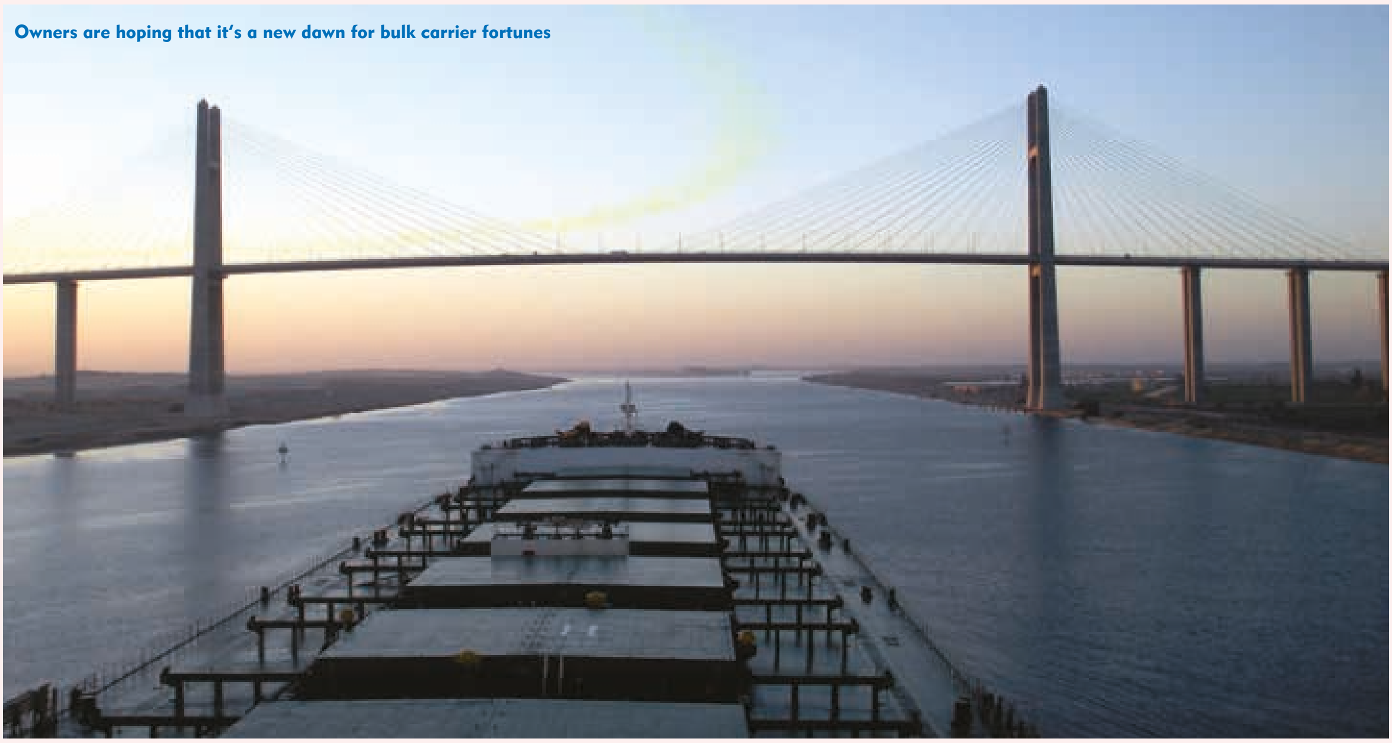
So, even if a quarter of a million teu were to be scrapped this year, the increase in tonnage supply would still be more than half a million teu. So being realistic, even if demand really accelerated, as forecast for Chinese imports, there will not be any recovery in the industry until 2019. **SN**

And China's infrastructure is becoming the next economic driver. Nowadays, cities with populations of more than ten million are called megacities. Historically, in the south of China, to the west of Hong Kong there used to lay the small village of Bei Sichow; in the last few years, this village has grown into a city of 11m people and is now called Shenzhen.

In the next few years a further ten megacities will come into existence in the country. Existing population centres such as Shanghai and Beijing are expected to grow into metropolis of as large as 24m people, doubling existing populations. And the ten new megacities will require infrastructure to house more than 100m people. The thousands, perhaps millions of miles of copper wire, copper and plastic pipe, the millions of tonnes of steel re-bars, steel girders, quarried stone, cement and the thousands of diggers, bulldozers, and thousands of miles of scaffolding; the figures are difficult to believe.

And the power necessary to build and then to run such cities will require scores of new power stations. These could be coal-fired, oil-fired or gas-fired. Whichever way it goes, shipping will gain significant additional trade. From now on, we should see an improvement in the world trade cycle as the broader demand drivers from China provide a recovery in capital spending. Because not only are houses or apartments necessary with all their associated white goods. Hospitals, schools, roads, shops, highways, railways, they must all be supplied and built. And there are also the dramatic moves from countryside to urban living for the population of these existing and new cities. A loss of agricultural workers moving to the cities and the scaling down of indigenous farms have to be replaced by more food imports – shipping, again.

Commodity exporters such as Brazil and Australia will clearly benefit from this predicted rise in Chinese import demand. This also embraces Asian electronics producers as their product cycles continue. Large developed economies in Asia, Europe and North America are also feeling the impact. Chinese imports from Japan, the US and the Eurozone continue to increase. So, bulk dry and oil trades are going to be busy and container ship volumes will show an increase. **SN**



Owners are hoping that it's a new dawn for bulk carrier fortunes

Credit: Aashay Baindur

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

Menelaus Kouzoupis

Q I am a ship owner. Failure by charterers to pay hire can cause financial difficulties. In the event of a failure to pay hire, apart from withdrawal rights, can a shipowner legitimately terminate the contract and claim damages?

A Most charterparties contain provisions allowing shipowners to remove their vessel from the charterers' service if a failure to pay hire has not been remedied in accordance with the anti-technicality provisions. These provisions allow the shipowner to end the charterparty early and fix their vessel elsewhere if they are not being paid by their charterer.

In certain circumstances, however, the shipowner may be disadvantaged if they withdraw their vessel, as their claim against the charterer could then be limited to the outstanding hire on the date of withdrawal. As a result, a ship owner could suffer a substantial loss if the market rate at that time is lower than the cancelled charter rate. The only way a shipowner may preserve their right to claim possible future losses will be if the charterer is in repudiatory breach of the charterparty.

Under English law, contractual terms fall into one of three categories: (i) conditions; (ii) warranties; and (iii) intermediate (or innominate) terms. Conditions are terms that are seen as integral to the contract, a breach of which enables the innocent party to terminate the contract and claim damages to the full value of the contract. Warranties are seen as incidental to the contract, a breach of which would entitle the innocent party to claim only damages to date. An intermediate term is one that can be treated as either or condition or a warranty, depending on the effect of the breach. If the effect of the breach substantially deprives the innocent party of the whole benefit of the contract then it will be a repudiatory breach with the same remedy as that for breach of a condition. If that is not the case then the remedy will be the same as a breach of warranty.

Historically, a charterers' obligation to pay hire has been treated by the English courts as an intermediate term. The Court on each occasion has to evaluate whether the non-payment(s) have substantially deprived the shipowner of the whole benefit of the charterparty. In a long-term fixture of two or more years it is often difficult for a shipowner to argue that a few non-payments (or late instalments) of hire was enough to meet this test.

In 2013, in a controversial decision, Flaux J decided in the "Astra" that the obligation to pay hire should be considered a condition and not an intermediate term. His reasoning was that hire is the lifeblood for a ship owner, and that

Owners need protection from non-payment of hire

treating the hire clause as an intermediate term created too much uncertainty. While the decision did have supporters, it generated much scepticism as it went against the previously established position.

Just two years after the "Astra" decision, Popplewell J came to the opposite conclusion in the case of SPAR v GCL. Following previously established thinking, Popplewell J did not consider the obligation to pay hire to be a condition. His reasoning was that this would make the obligation too onerous for charterers as any short or delayed payment of hire could potentially constitute a repudiatory breach. He preferred the more flexible approach of treating the obligation to pay hire as an intermediate term.

This does not necessarily mean that the earlier position stands entirely as Popplewell J agreed with Flaux J that hire is the lifeblood for ship owners. In this respect, the Court held that attempts by charterers to transform a payment of advance charter hire into a services or credit deal with no payment of interest would be enough to deprive the shipowner of substantially the whole benefit of the contract, and therefore would likely be repudiatory.

The decision in SPAR v GCL has now been affirmed by the Court of Appeal. **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.

Q

Is it possible to "break limits" under the Convention on Limitation of Liability for Maritime Claims?

A

The principle of limiting liability for maritime claims has been in existence for centuries. The concept was designed to protect a shipowner to the value of the ship and freight, by limiting his liability for certain claims. The most recent convention is the Limitation of Liability for Maritime Claims 1976 (LLMC). The value of the limits under the LLMC was increased by the 1996 Protocol, and this Protocol was in 2012 updated to further increase the limits. Not every country has adopted the LLMC and Protocol, which need to be brought into national law by legislation. In England, this is by the Merchant Shipping Act 1995, and as amended.

Under the LLMC and Protocol (together, the "Convention") the sum at which a party may limit their liability has increased over the years. The Convention does permit the limits to be broken under certain conditions, but the bar for this is high. This is deliberate: in exchange for known limits, the limits are difficult to break. Article 4 of the Convention provides that: "A person liable shall not be entitled to limit his liability if it is proved that the loss resulted from his personal act or omission, committed with the intent to cause such loss, or recklessly and with knowledge that such loss would probably result."

In the UK limits under the Convention had until last year not been broken. That changed with the case of the *"Atlantik Confidence"*. This bulk carrier, in relatively calm weather, sank off the coast of Oman in 2013 during a laden voyage, with no loss of life. The owner of *Atlantik Confidence* applied to the Admiralty Court for a declaration that it was entitled to limit its liability under the Convention for claims against it. The cargo interest objected to the application, as it alleged the vessel was deliberately scuttled.

Had the ship owner been allowed to limit their liability, the cargo interest would have been only one of the claimants against the limitation fund. Accordingly, it would have received only its proportion of the fund, based on the value of its proper claim as against the proper claims of all the other claimants. If the cargo interest succeeded in its objection to the ship owner limiting its liability, it would be entitled to recover the value of its proper claim.

In effect, the Court was asked to rule on whether the ship owner could limit its liability, given Article 4 of the Convention. The Court accepted that the cargo interest had to prove its case on the balance of probabilities, and on the same basis as a hull underwriter if he alleges the vessel was scuttled. Further, the Court made it clear that scuttling is a serious charge and the standard of proof required will not fall far short of the criminal standard, and as the cargo interest would not normally be able to obtain direct evidence, the Court would be entitled to consider all relevant and indirect circumstantial evidence.

Against this background, the ship owners argued that the loss of *Atlantik Confidence* was accidental. The cargo interest alleged that the Master and Chief Engineer, on the instructions of the principal behind the shipowning company, deliberately opened the sea chests in the engine room and the valves to the ballast system to allow an ingress of water to the vessel. It alleged the fire was deliberately started to hide the ingress of water. The cargo interest also relied on several events which, individually, may not have led to the conclusion that the vessel was deliberately sunk but, together, pointed to the vessel having been scuttled.

The Court found that *Atlantik Confidence* had been scuttled at the request of the principal. The ship owner's application for a limitation decree was therefore refused due to the provisions of Article 4 of the Convention.

It is therefore possible to "break limits" under the Convention, although the barrier to doing so is no lower now than it ever was. **SN**

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The articles were written by Menelaus Kouzoupis and Guy Main. Menelaus is a senior associate 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.

Scuttling of a ship is a serious charge

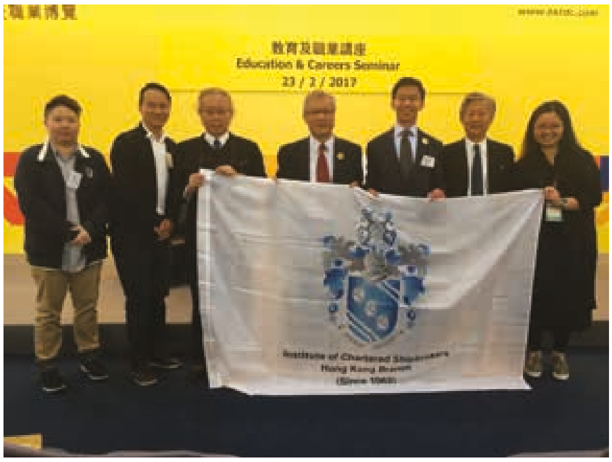
holman fenwick willan hfw

Hong Kong supports careers expo

The Hong Kong Branch lent its support to the Education and Careers Expo organised by Hong Kong Maritime and Port Board (HKMPB) in February.

Davin Chan MICS participated in a session discussing career development in the shipping industry; Carmen Chan shared her experiences at sea, being the first Hong Kong female to become qualified as a Captain of ocean-going vessels; and Captain KW Fung shared a summary of the work of the Maritime Professional Promotion Federation (MPPF) to encourage more Hong Kong youngsters to join the shipping industry.

Institute promotional leaflets were distributed to the participants and placed at the booth of HKMPB. Branch chairman Joseph Chau FICS, branch immediate past chairman YK Chan FICS and branch executive committee member James Ho FICS also attended the event. *SN*



The expo aimed to promote careers in shipping

Mombasa welcomes ETC chair

The East Africa Branch played host the chair of the Institute's education and training committee, Susan Oatway FICS.

During her visit to Mombasa, Mrs Oatway met with Foundation Diploma students, and guided them on how to prepare for and approach questions during the examinations. She also visited the Kenya Ports Authority (KPA) headquarters and met with harbour master Capt Rono, who emphasised the importance of the Institute's course at KPA-Bandari College.

Mrs Oatway met with the general manager of human resources and administration, Amani Komora and the general manager of corporate services Edward Kamau. Both men confirmed that the KPA was committed to having its staff trained with the relevant skills to boost port efficiency, and re-affirmed their support for the Institute's programmes.

Other stops for Mrs Oatway included a visit to the Kenya Ships Agents Association (KSAA), where she met with KSAA's chief executive Juma Tella, among others, to discuss how KSAA could sponsor its staff to take the Institute's courses, offer internships to Institute graduates and to sponsor Institute programmes.

The final destination for Mrs Oatway's visit was the East Africa Branch office, where she discussed issues related to improving the services offered by the branch with its staff.

At the end of her visit, Mrs Oatway was presented with a Maasai carving comprising of the 'big five': the lion, leopard, buffalo, cheetah and rhino, upholding the Kenyan tradition of appreciating a visitor from the temperate lands.

The branch would like to thank Julie Lithgow, the director of the Institute, and all those who made Mrs Oatway's visit such a success. *SN*

Ministry of Transport and the Institute sign co-operation agreement

China's Ministry of Transport and the Institute will work together on training

The Jiaotong International Cooperation Service Centre of the Ministry of Transport, People's Republic of China and the Institute signed a co-operation agreement in Shanghai in March to work together on the course system and materials for a training programme for maritime professionals.

Lei Xiao Fang, director of Jiaotong International Cooperation Service Centre, and Julie Lithgow, director of the Institute, signed the agreement on behalf of both parties.

The agreement was signed during a trade delegation visit to China organised by Maritime UK and attended by UK trade minister Mark Garnier MP to further enhance the maritime relationship between the UK and China, and to explore further opportunities of trade and investment between the two countries.

Mrs Lithgow said: "One of our core aims at the Institute is to increase access globally to our qualifications and promote professionalism, especially in key shipping regions. China has been a developing region for us for more than a decade, from the establishment of a teaching centre in 2005 to the launch of the international shipping professionalism development programme in 2016.

"We look forward to welcoming more Chinese students and shipping professionals to a network that stands for lifelong learning, knowledge and integrity." *SN*

Institute launches new education initiative

The Institute and BIMCO have announced the start of a new initiative combining the Institute's global engagement with students and BIMCO's state of the art eLearning courses to improve access to quality education.

A test group of the Institute's students in mainly developing countries across the world will be able to use BIMCO's eLearning courses in preparation for Institute exams.

Institute director Julie Lithgow said: "BIMCO's commitment to supporting education is shown by the quality and pertinence of the courses they offer. Having BIMCO's eLearning expertise on board is a great way of finding new ways to ensure that any shipping professional in the world can improve their knowledge and gain qualifications, irrespective or location."

The first group of students to get access to the courses are from Aberdeen, Accra, Cape Town, Durban, Lagos, Limassol, London, Mombasa, Paris, Shanghai, Singapore, Stavanger, Sydney and Vancouver.

The strategy is to open the opportunity to all the Institute's students by late 2017. Other joint training activities are also being considered. **SN**

SMU partnership praised at Singapore ceremony

The Singapore Branch held its annual prize giving ceremony on February to recognise all the candidates that excelled in the 2015-2016 examinations.

The list of winners included Prabhhu Narayan Singh, who won the best overall student award, sponsored by MPA Singapore.

The prize giving was followed by a networking and cocktails reception, which gave the attendees a chance to meet and interact with the prize winners as well as industry colleagues.

The guest of honour was Professor Annie Koh, vice president in the office of business development and academic director ITS at Singapore Management University, who, during her keynote address, highlighted the successful 10-year partnership between the Institute and SMU in the field of education in Singapore.

She also encouraged all the company representatives in attendance to be more active in hiring talent locally from the pool of Singapore students. **SN**

Awards night celebrates Middle East achievements

The Middle East Branch hosted its 2016 awards night at Crowne Plaza, Dubai in February to celebrate the achievements of its students.

The awards night recognised the students with the highest score in their exams for each subject. Two students, Suresh Nautival and Rajshekhar won awards for three subjects each. Rajshekhar also won the overall award.

Past prize winner at both the branch's awards night and the Institute's global awards ceremony, Ali Canani opened the awards night discussing the importance of the event for the prize winners, students, families, friends, colleagues and the Institute membership.

The immediate past president Captain Peter Machado also spoke at the awards night. Captain Machado welcomed the attendees and praised the committee. He thanked the members, students, committee, volunteers and other supporters for their ideas, input and enthusiasm before giving an insight into dealing with the challenges of the various markets.

The branch was also honoured to have its chief guest his excellency Khamis Juma Khamis Buamim, who discussed how an organisation must operate in times of financial instability. He said that innovation, invention and transformation were crucial to overcoming challenges.

After the celebrations, the branch president Krishnan Subramaniam discussed the achievements of the branch over the last three years and the tenure of the previous committee, and thanked the committee members for their support. He also presented Captain Machado with a memento highlighting his commitment, professionalism and ethics.

The awards night recognised the highest scoring students

Mr Krishnan revealed the 'Vision 2020' of the Middle East Branch, and discussed the significance of the year for both the UAE and the branch itself. It was announced that the branch will progress with clear goals in mind to achieve the same in 2020 as it turns 25 years old.

Captain Jagan brought the evening to a close by thanking all the attendees. **SN**

Sri Lanka celebrates students' success

The Sri Lanka Branch held its 23rd annual awards ceremony in February at the Cinnamon Lakeside Hotel, Colombo, to celebrate the success of its members and students.

The awards ceremony was attended by a number of dignitaries including Honorary Arjuna Ranathunga, minister of ports and shipping; Dr Indrajit Coomaraswamy, governor of the Central Bank of Sri Lanka; Dr Parakrama Dissanayake, president of the Institute; and Michael Taliotis, chairman of the Institute.

Branch chairperson Anoma Ranasinghe welcomed attendees to the event. She discussed the importance of every person working to upgrade his or her skills in order to further their career objectives in a world where technologies and administration keeps changing. The branch took the opportunity to recognise one of its founder members and past chairman Dr Dissanayake, who was elected as the first non-British person to become the international president.

The Sri Lanka Branch hosted its 23rd annual awards ceremony

The Branch also honoured students who scored the highest marks in individual subjects, as well as students who had completed their Foundation and Advanced diplomas and its new members. SN

Ship management lecture well received

The Hong Kong Branch Spring Lecture "Evolution of Third Party Ship Management" was held in April at the Indian Recreation Club. It was a great event, where members and friends of the branch enjoyed the warm atmosphere in the cosy environment.

The evening was initially kicked off by the Master of Ceremonies for evening Jagmeet Makkar, FICS and was followed by a presentation and speech from sponsor MTG Dolphin Shipyard's production director Ivan Botev.

The Guest of Honour for the evening was Peter Cremers, executive chairman of Anglo Eastern Univan Group, who, during his lecture, gave the history of Anglo Eastern in the ship management sector. Mr Cremers also gave an insight into third party ship management services. He shared his experiences in building a ship management company from 15 vessels to more than 600 in the span of 30 years. Anglo Eastern Ship Management has a long tradition of operating a global fleet of commercial vessels. SN

Annual dinner in Cardiff a success

The South Wales and West Branch held its 2017 annual dinner in March at the Mercure Holland House Hotel and Spa in Cardiff, Wales.

The top table guests for the evening included Jim Cole, past chairman of IMAREST, South Wales; Matthew Kennerley MICS, regional director of Associated British Ports South Wales; Sir Michael Bibby Bt, DL, vice president of the UK Chamber of Shipping; and Julie Lithgow, director of the Institute

During the dinner, Mrs Lithgow proposed a toast to the Institute. John Davey, vice chairman of the branch, also proposed a toast to all the guests. Top Gear's original Stig, Perry McCarthy provided after-dinner entertainment.

Chris Davies also collected the Graig Shipping Award on behalf of Bleddyn Davies for attaining the highest mark by a branch student in qualifying for the PQE examination. SN

Nigeria chapter launched at Multimodal

The West Africa Branch hosted a number of activities at Multimodal West Africa in Lagos, Nigeria, in March 2017.

The branch had its own booth to raise awareness of the Institute and the benefits derivable from partnering or collaborating with it to train and retrain their staff at all levels. It also promoted the added benefits of becoming members and fellows of the Institute. More than 90 attendees visited and registered at the booth, including 47 potential students. The branch also used the event to launch the Nigeria Chapter of the Institute.

The branch also gave two presentations at the event: Captain Samuel Olarewaju FICS discussed the role of chartered shipbrokers in a developing economy, while Captain Temilola Okesanjo MICS talked about Nigeria LNG, a global player in the chartering market.

The branch's participation at the event firmly put the Institute in the limelight. Those present at the launch of the Nigeria Chapter also confirmed the Institute is what they have been waiting for in order to build capacity in commercial shipping and significantly contribute to the growth of the country's economy. SN

The Institute is 'what industry has been waiting for' in West Africa

Revision evening highlights exam pitfalls

The London and South East Branch held its regular April Revision Evening at Norton Rose Fulbright for its students.

Students were treated to a presentation by branch committee member Robert Hill FICS on exam techniques and giving the best possible performance in exams.

The branch was able to offer a choice of 20 subject specialists to the students, each on hand to offer guidance and help for the students' concerns.

The branch would like to thank the subject specialists, and Norton Rose Fulbright for hosting the event and keeping all the attendees supplied with tea and coffee. **SN**

Federation Council seminars inform port agents

At last year's Federation Council annual meeting, the Council recommended that the usual face to face spring Federation Council meeting be replaced with a series of seminars to provide tangible assistance to port agents managing the many and varied risks that they face in their day-to-day operations.

Consequently, seminars were held in Newcastle, Liverpool and Tilbury during March and were free to attend for company members, individual members and registered students.

Melanie Daglish MICS from ITIC gave a presentation on the agent's liability and responsibilities when a principal does not provide funds or goes into receivership. She then warned agents about the most common fraud cases currently in the market.

The second presenter was Capt Jae Jones from Marine Accident Investigation Branch (MAIB) who explained the role of MAIB in accidents and reminded agents of their obligation to report accidents. He also gave information on how they could assist MAIB investigators.

Finally, Sonali De Silva from Border Force gave an update on the National Maritime Single Window and an overview of vessel targeting. In Tilbury, she was joined by Michael Gregson from the Maritime Coastguard Agency who covered the recently introduced CERS3 workbook reporting. **SN**

Institute delivers course in Manila

The Institute recently concluded a pilot class for the course *"A Practical Approach to Commercial Shipping"* in co-operation with Magsaysay Learning Resources in Manila.

Institute lecturer Leif Ollivierre MICS delivered the course. He commented on the "great class" and a "warm reception and interest coming from the participants".

The participants were an interesting and diverse group, including ship owner representatives, port agents, crew managers, training managers, shipboard officers and maritime lawyers.

The number of participants exceeded expectations of 25 attendees, as 37 attended from both Magsaysay and outside companies. **SN**

Institute's roadshow hits top gear

The advent of spring in the UK is a time for renewal and new beginnings, and what better time to hit the road to meet prospective students and discuss how the Institute's education and qualifications can be a springboard to a fulfilling professional career?

This year, head office's Matt Gilbert and lead lecturer Leif Ollivierre MICS have been busy visiting a number of universities whose maritime courses are accredited by the Institute as well as some of the leading brokers in London.

Kicking off the series, the Institute hosted a visiting delegation of Master's students from the University of the Sorbonne, Paris in February followed by a presentation and workshop at Cardiff University. Both Matt and Leif attended a conference and exhibition at Southampton Solent University on March 2, where Leif delivered a presentation and the Institute had a stand at the exhibition.

Next in line was Liverpool John Moores University on March 21 where Leif led a seminar supported by Roy Cooke FICS, David Gilmour FICS and Alyson Loughlin FICS from the local branch while Matt participated in a round-table discussion on apprenticeships with programme leaders and representative of Mersey Maritime.

The first week of April also saw Leif present to LLM students at Swansea and the final session concluded with a short seminar with Master's students at Newcastle University on April 25. **SN**

The Institute visited a number of universities in the spring

If your company or institution is interested in a member visiting to give a talk or meet prospective students please email enquiries@ics.org.uk or call +44 (0)20 7623 1111.

Cruise excursion for Greek students

A three-day cruise excursion was organised for the students of the Institute's Greece Branch and ALBA University in April with Celestyal Cruises.

The students visited four Greek islands including Mykonos, Patmos, Heraklion and Santorini, as well as the archaeological place and port of Ephesus, Turkey, that was for many years an important trading centre.

Students also had the opportunity to participate in an on board seminar by Doctor Katerina Athanasiou, special project manager, training and seminars, about teambuilding and self-boosting techniques, which pointed out that shipping is all about relationships.

The branch would like to thank Celestyal Cruises and its crew for making the arrangements and allowing students to visit the bridge of the cruise ship, as well as the master for explaining the main part and functions of the ship's equipment to the students. ***SN***

Students were treated to a three-day learning experience

Prep session empower students

Two weeks before the May exams, the Middle East Branch of the Institute organised an exam-focused revision session to assist students with the upcoming exams. The branch also invited students of the Institute of Management Technology who are pursuing an MBA in Shipping and Logistics.

The aim of the session was to help students to interpret questions correctly.

The day started with a mock exam, offering all 16 subjects, to give students a wide variety of options. Over the course of the day, there were lessons in various subjects, and also certain areas for students and tutors to sit together and work on the answers to various exam questions.

The day also included a 'tips and technique' session, presented by Mr Rajashekhara MICS and Ali Canani FICS, both of whom have been prize winners of the branch in the past.

Students said that they felt more confident after the day. Overall, it was a great day of learning for students and tutors alike. ***SN***

The revision session helped students to prepare for the May exams

Canada forum highlights collision consequences

It was a bright, sunny Thursday afternoon when a combined group of members from the Vancouver Maritime Arbitrators Association and the Institute's Canada Branch made their way to the Fairmont Hotel Vancouver for The Standard Club's Canada Forum.

Every two years, Charles Taylor & Co, acting as managers of The Standard Club Europe, host this gathering in one or two major North American centres. This year, it started in Montreal, with speakers from Montreal as well as London, New York, Vancouver and Seattle highlighting the potential impact that might arise out of a fabricated scenario of a major catastrophe involving a collision between a ferry operating between Nova Scotia and Newfoundland and a bulk carrier leaving the Gulf of St Lawrence.

Each of the speakers offered insight into allocation of liability, major casualty response, insurance coverage, the role of the P&I club, pollution considerations and loss prevention issues. They also touched on potential local and international governing bodies who may need to be involved and how specific authorities may be appointed and established for any accident or incident, regardless of how big or small.

A unique part of the event was the panel's use of electronic polling devices. Each attendee was given a hand held 'clicker'. At the end of each presentation, a question was posed on the main screen and the audience was asked to choose the correct answer by selecting the corresponding button on the clicker. From the four or five answers displayed on the screen the crowd was given 10 seconds to make their selection and the results were immediately displayed, showing the correct answer and the percentage of how many got it right.

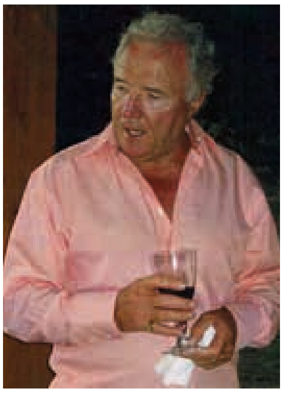
Immediately following the three-hour presentation, the hosts sponsored a reception allowing for follow up questions with the presenters.

It was a great opportunity to hear very knowledgeable professionals present an assortment of aspects facing the people and companies operating in the maritime industry. ***SN***

A true Scotsman to the very end

Bob Hawkins FICS reflects on the colourful life of Ian Taylor, a valued member of New Zealand's shipping community

Ian began his life towards the end of World War II in Glasgow. Born into a large Scottish family, Ian longed to make his mark in life and it wasn't long after leaving college that he ventured south. First, he headed to London, where he entered the shipping industry and attained his Institute qualifications, becoming a member in 1968 and a fellow shortly after. He then found his way out to Australia and finally settled in New Zealand in the early 1970s.



I first met Ian when I was taken on as a junior shipbroker at McKay Shipping Ltd in Auckland in 1980. Ian was the chartering manager and in a rapidly expanding industry with shipbroking becoming an accepted part of trading in this part of the world, Ian found things very demanding with many ship owners wanting a piece of the action. Competition meant division and Ian, along with a couple of partners, set up Beacon Chartering and Shipping in 1984.

During this time, Ian was one of the founding members of the newly formed Australia and New Zealand Branch of the Institute of Chartered Shipbrokers in 1998 and also responsible for assisting in the forming of the NZ chapter of the Branch.

He was elected the third chairman of the ANZ Branch in 2003. Serving a two-year term, Ian had a real passion for the job at hand and also for the finer side of living. Always well dressed, and with a distinct and infectious Scottish accent, he was well respected in the shipping industry far and wide.

Five years before his death, Ian opted out of shipping and resigned from Institute membership, taking up an entirely new career in real estate where he was able to enjoy some well-earnt family time and more golf.

He passed away after a short illness on April 22 and his funeral was attended by several Institute members and many local shipping identities, along with many of his family members.

Sprigs of heather were laid on Ian's coffin and a piper sent him on his way to a safer anchorage.

This epilogue is in loving memory of a friend and colleague to so many. **SN**

Branch dinner raises £2,600 for charity

The Liverpool Branch held its 53rd Annual Dinner at the Crowne Plaza Hotel in Liverpool in April.

A total of 275 members and guests attended the dinner, many of which remarked on how good it was to return to the Crowne Plaza for the event.

After an excellent meal, members and guests were entertained by Barry Stokes FICS, who held an amusing game of Heads and Tails, which raised a total of £2,600 to be shared between two local children's charities.

The evening also included speeches from Louise Ellman MP and branch chairman Alyson Loughlin FICS, who offered a summary of events hosted by the branch over the past year; congratulated all the students who sat their exams; and thanked Armitt Group and Normac for sponsoring the dinner. Mrs Loughlin also discussed the many changes and developments facing brokers and agents in the shipping industry. But, despite this, she said that Liverpool's maritime activities continue to grow. She noted Peel Ports' investment in constructing Liverpool2 and a plethora of new partnerships, among more.

This year, the branch also introduced an award for 'Local Contributor to Education' and invited organisations in the area to put their names forward for consideration. The award was won by the Maritime Business and Logistics department of Liverpool John Moores University.

The evening ended with tales and jokes by popular comedian Pete Emmett. **SN**

BRIEFS

Greece Branch ship visit

Students of the Greece Branch visited the containership Ital Oriente during her call at Piraeus Container Terminal on March 24, 2017.

The students were grateful to be given the opportunity to visit the vessel while preparing for their exams. The branch would like to thank the master and crew of the vessel for taking the students on a tour of the vessel, explaining its main parts and equipment and their functions. It would also like to thank Nikos Marmatsouris FICS for arranging the visit.

Singapore highlights classroom coaching

The Singapore Branch delivers TutorShip content through classroom training. The branch believes that the classroom atmosphere is much more interactive, offering sharing of work experiences and leading to a more holistic learning approach which benefits the students.

The Singapore government subsidises course fees for Singaporeans and permanent residents, making learning more accessible. Companies also support teaching programmes by nominating a few staff for training and examination.

The sharing of knowledge and networking among the Institute members has always been a core asset of professional development. While classroom training and examination preparatory classes equip the students with knowledge and guidance for the examination, networking opportunities and professional development offer added benefits.

Open days reveal Institute interest

The Middle East Branch organised two open days across in the region in February to promote the Institute and professional qualifications.

The first open day took place at the Institute of Management Technology Dubai (IMT Dubai), catering to IMT students attending their career fair on the same day. Around 15 students showed an interest in the Institute.

The second open day took place across four locations: Dubai, Abu Dhabi, Doha and Oman. All four events attracted interest from potential students. **SN**

Calendar

Melbourne

July Events

4-5 July
Australia & New Zealand Branch
Chartering Workshop
Melbourne

August Events

1 August
Institute 2017-18
Academic year starts

3 August
South Africa Branch
Branch AGM & luncheon

10 August
Institute May examination session results announced

10 August
London & South East Branch
Results Day Drinks
London

18 August
Australia & New Zealand Branch
Branch AGM & social event
Melbourne

TBA August
Middle East
Branch AGM
Dubai

September Events

9 September
East Anglia Branch
Visit to Orford Ness Lighthouse

13 September
Liverpool Branch
Annual Golf Day
Heswall

13 September
London & South East Branch
Branch seminar during London International Shipping Week
London

21 September
South Africa Branch
Branch Prize-giving Cocktail Event
Durban

29 September
Ireland Branch
Branch Annual Golf Day and Dinner
Killiney

The Secret Broker

Merlin magic

Living in the UK, we are truly lucky with the choices available to us as far as countryside retreats are concerned. The Orthodox and Catholic Easters coincided this year and provided an excellent opportunity for three shipping families – English, Greek, and Emirati – to take advantage and rent cottages on a working farm in the Conwy Valley in Snowdonia, along with various children, grandchildren and pets.

Once settled, we set off in search of adventure; we were not disappointed. Mountains and rushing rivers; glorious weather – most of the time; more castles than you could throw a stick at; and miles of sandy beaches.

For the adults, most evenings ended around fire pits with a few drinks and the chance to philosophise and while many topics were covered, those of us most directly engaged in the shipping industry took the chance to reflect on the events taking place.

Within days of the 'hat' being passed on at CMA – and all the usual suspects giving us the benefit of their 'wisdom' – George Economou was making headlines. Ocean Rig declared that with $1.3bn in debts it was to seek bankruptcy under US Chapter 15. Yes, Chapter 15. None of us had heard about that one either.

Chapter 11 is frequently, perhaps rather too frequently, used to allow for financial restructuring, but Chapter 15? Well, it appears to be real and Economou's legal team went for it. The filing had something to do with Ocean Rig being registered in the Cayman Islands.

This caused a few smiles when it was linked, virtually simultaneously, with the announcement that another George Economou controlled company, DryShips, had received new investment to the tune of $450m from the Kalani group. Up until then it had been widely, but wrongly it seems, considered that Kalani was another tentacle of the George Economou web of companies. Now, it's been disclosed that this funding comes from a group whose history is largely associated with property assets in New York.

Another company, Sifnos – a George Economou vehicle – announced that it was extending a three-year loan facility to DryShips to five years, which would allow DryShips to gain access to more borrowing so that more ships could be purchased. There we were, sitting in Wales, watching a modern-day Merlin in action. The joke used to be "how do you end up with a small fortune?"; "Start off with a large fortune and buy a football club!" Now it appears that this analogy can be applied to investing in shipping companies.

We are now seeing opportunities for shrewd operators to make personal fortunes out of interconnected enterprises with a common denominator and, usually, only one real winner. Of course, all this billion-dollar game-playing leaves more traditional ship owners somewhat out in the cold. Borrowing $20m or $30m is incredibly difficult and while there are 'boutique' lenders out there, they lend at double digit interest rates.

So, more and more owners are faced with problems when it comes to fleet growth – or even maintaining what they have – in the face of new regulations coming into force, for example water ballast treatment systems. For older ships coming up for survey and dry docking this can mean extinction. Older bulk carriers, that are not even breaking even, cannot justify this additional investment of maybe close to $3m and this could lead to more scrapping. Of course, this could lead to a reduction on the supply side and an increase in freight rates, but not if the big players use their financial muscle to order new ships.

This is something that was discussed around the camp fires and while we hoped it would not happen, it is a trend that we are already seeing it. Since the end of 2016, some bulk carrier prices have increased by almost 30% and modern second hand ships are priced very close to the new buildings price being offered by yards with delivery late 2018/early 2019. Some buyers see this as a hedge against the market. However, I fear this is history repeating itself, yet again. Any chance of a real recovery will be destroyed before it really begins. SN

the stern

Here comes the drone age

A tiny start-up in California's Bay Area is currently working on what it hopes will be the next big thing in transport: large autonomous drones capable of moving freight across the Pacific Ocean more cheaply than conventional piloted cargo plans and faster than cargo ships.

Richmond-based Natilus is currently building a 30-foot prototype drone that could take to the air for the first time later this year. If successful, the firm will develop an 80-foot drone that will begin flying routes from Los Angeles to Hawaii in 2019 and a 140-foot drone with a 200,000-lb cargo capacity that will begin flying routes to China starting in 2020.

Natilus' large drones could be operational by 2019

Credit: natilus

Made of carbon fibre composites and powered by jet engines, the drones would take off from the water, thus eliminating the need for landing gear and strips. It would land on water several miles from the port before taxiing to the dock where the cranes would unload the cargo.

With no crew to pay and reduced fuel costs due to a reduce speed, shipping via the amphibious drones would cost about half as much as transporting by piloted cargo planes, according to Natilus.

Shipping 200,000 lbs of freight from LA to Shanghai, for example, would take about 30 hours at a cost of $130,000, the company told NBC News. Delivery of the same cargo by a Boeing 747 takes about 11 hours and costs about $260,000. Moving the same cargo to Shanghai by ship would cost about $61,000 but would take three weeks.

Natilus' goal is to build hundreds of the drones and sell them to FedEx, UPS and other companies, potentially significantly disrupting the shipping industry in the near future. ***SN***

Hacked? You already have been…

While the maritime industry doesn't seem to have been strategically targeted in terms of the vessels themselves, there is now plenty of talk of accidental or naïve seafarers accepting a generic phishing email that goes on to attack their computers.

ECDIS' George Ward predicted in a recent bulletin that the first catastrophic maritime cyber incident would not be the result of a direct attack on a safety critical specific piece of equipment. It would be the result of an infection on a random PC, perhaps an unassuming email to a crew member, whose PC is connected to the vessels internal 'super highway'.

What will be first for the maritime industry, he asked, the deliberate or strategic hacking of an individual ship, or the shipping corporation as a whole? There has been a call for cyber specialists to come and give answers to the potentially very real dangers facing the industry that could not only damage reputations, but cause disruption to trade worth billions of pounds to the industry.

There is a real threat for cyber activists to start gaining and changing sensitive shipping data from our onboard equipment. Mr Ward concluded that concentrating on and developing robust procedures purely for the few safety critical pieces of equipment is all well and good, but the attack will likely take place on a tertiary system that is connected to it. ***SN***

Shipping Speak

"Overall I would say we are in a much better place than 12 months ago. I hope we don't repeat the mistakes of the past. We have to hope any ordering will be moderate."
– Esben Poulsson, president of the Singapore Shipping Association at Singapore Maritime Week 2017

"Shipping has managed to radically reshape itself under the extreme pressure it has gone through over the past couple of years… This restructuring has left both these main ship types in better shape to be able to deal with the unfavourable scenario that we will continue to face a slow pace in global growth for several more years."
– George Lazaridis, head of Market Research & Asset Valuations, Allied Shipbroking