



# SHIPPING Network

The official magazine of the Institute of Chartered Shipbrokers

*Promoting professionalism in the shipping industry worldwide*

Issue 45 June 2016

## Weird and wonderful

**Shipping comes in all shapes and sizes**



# MEMBER SURVEY

We need your views to shape the future direction of our Institute.

All fellows and members will receive an email in June inviting them to participate in an Institute member survey.

This will only take 3-5 minutes of your time to complete.

The survey is to help us understand more about your membership experience and receive valuable feedback from you on how we work with members and branches.

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*WE'RE  
LISTENING!*



# Ready to make the next quantum leap in shipping

James Baker muses on the weird and wonderful innovations knocking on the sector's door



James Baker

In a competitive market such as shipping, operators are always looking to find an innovation that will set them above the rest. Whether it be an economy of scale; a rapid transit; a quicker port turnaround; or lower operating costs, the economic pressures of our service industry demand that we continually strive to improve our competitive edge.

Economies of scale are pushing the boundaries of engineering: when I was a trainee shipbroker, the concept of post 19,000 teu container vessels or a 400,000 dwt very large ore carrier would have seemed fanciful. These vessels are now not only a reality but have become common place, setting the benchmark as the industry now looks for the next revolution in naval architecture.

offshore wind turbines were proposed, the port infrastructure and installation vessels necessary for their deployment were not yet devised. With eight megawatt turbines now entering mass production and even larger turbines proposed for the future, how we construct; transport; and deploy next generation turbines will need continuous infrastructure development. With wind farms moving further offshore and into deeper water, even planned maintenance presents a huge challenge.

Drones, a technology that was once the preserve of science fiction, are now becoming an increasingly useful tool in industrial applications: with the tallest turbines towering over 200m above sea level, drones are beginning to play an important role in maintenance inspections for these hard

“We are often seen as traditionalists but, despite outward appearances, the industry has continually modernised and evolved, embracing new concepts and pushing the boundaries of technology”



Credit: Kim Hansen

With so many giant vessels now afloat, it is not surprising that the salvage industry is facing their own challenge. Salvage technology was stretched by the recovery of the *Costa Concordia* and, with the latest generation of cruise ships now over twice that size, salvage methods and technology will have to evolve to meet the challenges of the future.

The cruise sector is one where bigger is not just an economy of scale but a key marketing strategy. With over 6,000 paying passengers now possible in the largest cruise ships, and tough competition in the market, successfully showcasing facilities has become an essential part of filling berths. A new development in this sector is the introduction of virtual tours to show potential customers exactly what they are missing out on.

## OFFSHORE NEEDS

Elsewhere, the demands of offshore and project cargo are also pushing our industry to develop: when the latest generation of

to access offshore installations. Shipping is also looking to capitalise on the benefits of using drones at sea. Maersk, for one, has successfully used a drone to transfer stores at sea and is now investigating their use in a variety of applications in the offshore, shipping, and ports industry. In decades to come, who knows how this technology could be applied in revolutionary ways, from remotely operated drone ships to automated ports.

As an industry, we are often seen as traditionalists but, despite outward appearances, the industry has continually modernised and evolved, embracing new concepts and pushing the boundaries of technology.

I am proud to work within such an exciting and progressive industry: every day presents a new challenge and requires us to find new solutions, keeping up to date with the latest developments in best practice and technology, however weird and wonderful. **SN**

*James Baker is a member of the Education and Training Committee and a former chairman of the Humber Branch.*



## More wonderful than weird

I've always thought of shipping as wonderful, moving all those commodities and goods that modern life just wouldn't be the same without. I don't think of it as weird, yet when I romantically talk about all those aspects that I view as wonderful – the sheer scale of ships, the amazing way we seamlessly move every commodity possible, the human face of it all – I am sometimes greeted with bemused faces from non-shipping folk. They wear the type of expression that screams 'you're weird'. How I view the industry is not, it seems, to everyone's taste.

We have embraced both ends of the scale in this issue: one man's wonderful is another man's weird. When I'm next about to regale a perhaps not-so-interested audience with the wonderfulness

of shipping, I should draw on some of the more unusual facts that we reveal in this *Shipping Network*.

Did you know that if you name your ship *The Phoenix* you're more likely to lose that ship to the seas? It's one of the unluckiest names out there; so much for rising from the ashes. Or that it can take as long as two years from planning to execution for the movements of the world's largest cargoes? Or that drones aren't just the preserve of the Amazons of this world – shipping is in on the act too.

It seems there's intrigue enough in shipping to suit all, weird and wonderful and much in between. **SN**

Carly Fields, FICS  
Editor

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“This a specialist market and people need to be understand that perhaps cheapest isn't the best, because they can get their fingers burned”



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Offering a different perspective on the maritime industry



Cover image: Danny Cornelissen

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# Taking people out of the shipping equation

Felicity Landon asks whether we will need humans in the shipping industry of the future



Felicity Landon

Never mind the dreaded back-seat driver – if techies and forecasters are to be believed, we'll soon have no one in the front seat, either.

A new robot arrived at the Port of Gothenburg in April. Its task? To deploy booms in the event of an oil spill. The press of a button (by a human being, it must be said) would activate the 'torpedo-like unmanned craft', which would then travel around the dock towing a 400-metre-long boom from one pier to another.

As a result, it would take ten minutes to contain a spill,

**Topic: Automation**

**Keywords: Robotics, improved IT, unmanned vehicles**

**Background: Technology now exists to automate many roles and operations in the shipping industry, but there are still psychological hurdles to overcome**

compared with half an hour when booms are towed into place by boat. "These are valuable minutes if we are to limit the spill as much as possible," says Dan-Erik Andersson, head of operations at Gothenburg's Energy Port.

Also in April, six convoys of semi-automated 'smart' trucks arrived at the Port of Rotterdam, having travelled in a cross-border experiment from factories as far away as Sweden and southern Germany. These self-driving trucks, from DAF, Daimler, Iveco, MAN, Scania and Volvo, arrived in 'truck platoons' – a system in which two or three trucks autonomously drive in convoy and are connected via wireless, with the leading truck determining route and speed.

"Truck platooning will ensure cleaner and more efficient transport. Self-driving vehicles also contribute to road safety because



Automated truck convoys have already proven themselves on the open road

most accidents are caused by human failure," said Melanie Schultz van Haegen, Dutch infrastructure and environment minister.

And in other news, Ford recently demonstrated how its self-driving cars can tackle winding roads in complete darkness, Volvo is to begin trials of driverless cars in London in 2017, and Lloyd's Register has launched its first guidance notes for drones and Unmanned Aircraft Systems (UAS), "giving operators in the energy and marine industries confidence in using UAS for offshore, marine and onshore surveys and in-service inspections".

## HEAD COUNT

How many real people will be required in the future world of ports and shipping? Clearly, today's ships rely on automation of many tasks already. But according to Rolls-Royce, remote-controlled 'drone ships' will be out at sea with no crew at all by the end of the decade. The company is heading a consortium that's developing

## Pilot project has to overcome legal barriers

What are the legal implications of unmanned vessels in inland navigation? It's a question Antwerp-based advocate and professor of port law Eric Van Hooydonk has been asked to investigate in connection with a proposed pilot project.

"The project would be in three stages: first, one manned barge followed by two or three unmanned, not connected by cables but just following the first, guided by an IT system; second, a control centre onshore, where one person would control and steer simultaneously three or four inland barges on rivers and canals; and third, a fully autonomous, unmanned barge, guided by a smart IT system."

Prof Van Hooydonk has been commissioned by the Belgian Waterway and Sea Canal Authority to investigate the legal issues or obstacles that might arise and the measures that should be taken to make the project possible.

"It is an overview of all the laws and regulations, both European and international, that apply to inland navigation. For example, crew manning standards would have to be looked into," he said. "In the next stage we will probably be asked to produce amendments where required."

It is, said Prof Van Hooydonk, very easy to identify legal issues and problems when considering unmanned shipping, whether sea or inland: "But it is very difficult to provide the solutions because the technology isn't fully ready and also there is the question of the management system. Who will do what? What will be the impact on managers, tugs, pilots, VTS and port authorities?"

"With no master or crew on board, who will be in control? Even if unmanned, it will be monitored and controlled from an onshore control centre; a human being will have to intervene if there is a problem, and what status will that person have and what will be their responsibility?" **SN**

Los Angeles' TraPac was the first in the US to automate both ship-to-shore and ground transport

the technology needed for ships to be controlled from shore bases.

"This is happening. It's not a question of if, it's a question of when," says Oskar Levander, head of innovation at Rolls Royce's marine unit. "We will see a remote-controlled ship in commercial use by the end of the decade."

In ports, as a new report for DP World explains, the extent of automation varies considerably. "Shanghai, the world's busiest container port, is almost entirely manual, while Rotterdam's Maasvlakte II, which opened in April 2015, has no personnel inside its cargo handling section, thereby boosting efficiency and reducing the risk of accidents," says the report, compiled by the Economist Intelligence Unit.

Among the examples it highlights is TraPac's Los Angeles terminal, the first in the US to automate both ship-to-shore and ground transport. It's not all positive, however: "The expectation that labour costs will be reduced by 50% has sparked industrial action and demonstrates how resistance from trade unions is a particular barrier to retrofitting automation at existing ports."

However, the report says, the slowdown in global trade has added fresh impetus to the need for ports and logistics firms to invest in the latest ICT innovations. It suggests that five innovations are particularly relevant: robotics and automation, autonomous vehicles, the Internet of Things and big data, simulation and virtual reality, and cyber security.

"The slowdown in trade is unlikely to be dramatically reversed in the short term. As a result, competition between ports and across the logistics sector looks set to intensify. As ports and logistics firms battle to protect and gain market share, the race to find cost savings and efficiency gains will become even more pronounced," says the report.

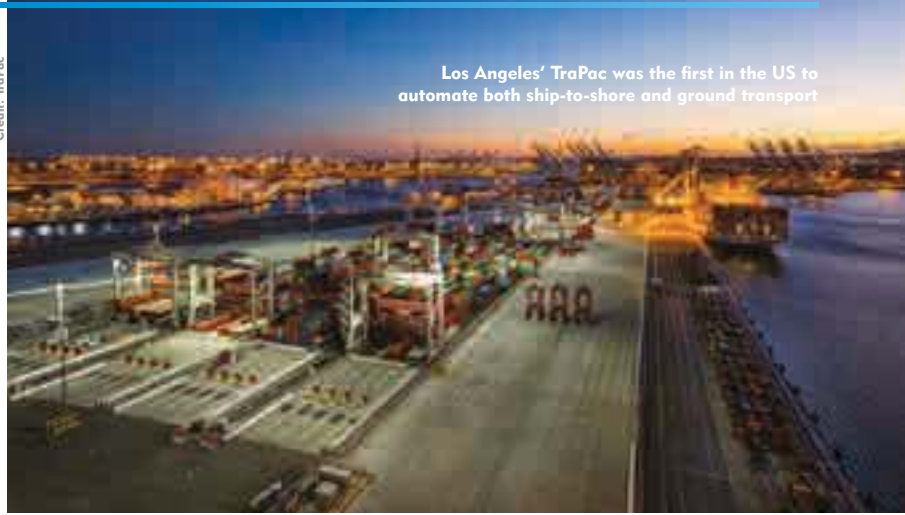
## PORT PROGRESS

Yvo Saanen, managing director of the Dutch ports software specialist TBA and a 'go-to' lecturer and guru in automation and logistics, said: "In terms of port automation, it is clear where we are now, but it isn't so clear where we are going, of course. Clearly, we have come a long way if you look at recent developments, with everything between the ship and handling road trucks more or less automated in some ports."

He points to Melbourne for the latest steps in automation; ICTSI's new terminal at Webb Dock, due to open at the end of this year, will feature automated operations from the gate to the quayside, including remote-controlled quay cranes and, notably, automated coning and deconing of twistlocks, says Mr Saanen. "Melbourne will also be the first with automated shuttle carriers; we have seen automated straddle carriers and AGVs but we haven't seen automated shuttle carriers up to now. I would say this terminal is taking another step further in automation. Coning and deconing is an important step, especially from the safety point of view."

He emphasises that automation does not by definition mean faster handling – the speed is in the overall design. "The main advantages are that automated ports are more predictable and become very safe. Robots don't make mistakes; humans do."

Credit: TraPac



Humans, in fact, are still required – just further away from the action and with very different skill sets. "Instead of driving machines and doing all kinds of physical work, they are required more in control and planning, and maintenance and repair.

"And clearly, automated terminals have many more staff on the IT side than other terminals would, so the emphasis shifts. There's a training perspective here. Even the staff in the control room are not the same anymore; they need to have more skills, because the situations they have to solve are much more complex than those you would come across in a conventional terminal."

He agrees that a computerised system is only as good as what its designers thought of when they set it up. "There are always new situations no one recognised before, that the computer can't solve; situations that require software updates, and this is constantly going on."

What does he envisage in 30 years' time? "I doubt it will be completely different. When you compare how container handling has progressed since its introduction, it has become larger scale and faster but the basic technology is very much unchanged. It will be small incremental steps and more of them.

"So I would expect, for example, containers will become intelligent and identify themselves so we have perfect visibility at every point in the supply chain. Equipment will become autonomous; it is automated now but run by humans. It will become able to drive itself in a complex environment. Automation will also get cheaper; there is already a business case at much smaller-scale ports, and it just requires the staff and vision to do it." **SN**



**"Humans, in fact, are still required – just further away from the action and with very different skill sets"**  
– Yvo Saanen



**Gothenburg's boom robot reduces spill containment time by two thirds**

Credit: Port of Gothenburg

# Designs on construction creativity and innovation

DNV GL's [Volker Bertram](#) takes inspiration from yesteryear to predict ship designs of the future



**Volker  
Bertram**

**S**hips and Shipping of Tomorrow was a book in the 1970s in which wonderful illustrations predicted a future of nuclear powered submarines transporting crude oil, giant hydrofoils transporting people around the world and streamlined catamarans carrying containers with speeds of up to 35 knots across the Atlantic. It was a book that made a boy want to become a naval architect. That boy was me.

When I was asked to speculate on ship designs of the future for *Shipping Network*, I first browsed through my bookshelf and spent an enjoyable hour re-reading *Ships and Shipping of Tomorrow*. Then, dragging myself back to the present day, I googled "ships of the future" and found that apparently in the future the world's fleet



**A zero-emission ferry project employs fuel cells, batteries and wind assistance through Flettner rotors**

## Topic: Designs

**Keywords: naval architecture, smart ships, fuel evolution**

**Background: Changing fuel use, innovation in propulsion and the wider use of sensors will materially change the look of ships of the future**

will be evenly divided between cruise vessels and warships. When you cannot find a future that suits your own beliefs you must shape it yourself. So in the following, I will draw on assorted conference thoughts and our own research at DNV GL to hopefully sketch a more realistic scenario of ships of the future, the next-generation ships some 30 years from now.

Let's first look at ship types. Naval ships, super yachts, ferries, and cruise vessels often shape public opinion on future ships. Here we see exotic hull forms such as pentamarans, hydrodynamic concepts such as planing, hydrofoils and air cushions, and materials such as high-tech composites. In short, this technology meets with great artistic vision. But the development of the world's fleet is and will be much more mundane.

Shipping of the future will still mean mainly dry bulk, liquid bulk and general cargo. The global trends of growing world population and expansion of economies, especially in Asia, will bring some slow shifts in the mix of cargo types. Crude oil production is beyond its zenith: production of remaining resources

will be increasingly expensive, and transport and power plants will be increasingly fuelled by cleaner natural gas. As a result, crude oil shipping will slowly decline with fewer and on average smaller tankers. By contrast, liquefied natural gas (LNG) tankers are likely to grow in numbers and average size. Bulk carriers will continue to be the work horse of the world economy, supplying a steady stream of raw materials around the globe. Their average size should be stable and their numbers should slowly rise as overall economic activities increase.

Multipurpose vessels are likely to decline as developing regions catch up with container port infrastructure. More containers will then be shipped, and containership size may still increase. This development is driven by economic frameworks with ever-larger alliances bundling container volume and developing port infrastructure to allow for the faster and cheaper handling of containers in port.

## EFFICIENCY RULES

Meanwhile, the long-term economic and ecological pressure for energy efficiency will lead to lower ship speeds. At the same time, smarter design processes will look at power requirements for realistic operational scenarios, that is variations of operational conditions such as speed and load and ambient conditions, such as sea state, to minimise yearly fuel consumption, rather than the classical design points of full speed and full draft. As a result, bulbous bows may wane on many ships and some may feature straight stems as seen in DNV GL's concept studies *Green Dolphin* (bulk carrier) and *ReVolt* (container feeder).

Ship hulls will continue to be made of steel, simply because it is cheap, strong and easy to recycle. But better coatings and inspection schemes will compensate for the key shortcoming of steel: corrosion. Composites will be increasingly used, but mainly for outfitting and equipment. This will allow for an extension of the life-span of ships and 30 to 35 years may become the new normal.

**"Falling costs for sensors, computing power and satellite communication make it a safe prediction that ships of the future will be 'smart'"**



Antifouling, primarily for energy efficiency but also to prevent the spread of invasive species, will see a shift towards more sustainable technologies, possibly using nano-coatings with microscopic structures making adhesion difficult (similar to anti-graffiti coatings on houses) and frequent robot-based grooming.

The above mentioned trends towards cleaner fuels combined with a general trend towards lower design speeds will profoundly affect maritime propulsion. With LNG as a standard fuel replacing heavy fuel oil, the machinery room will look different. Diesel engines no longer need separators and filters as the fuel itself is so clean. Auxiliary engines will also use LNG, and fuel cells are expected to be technically feasible and more cost competitive than today's four-stroke diesel engine gensets. As fuel cells are best operated at constant load, batteries will supplement them for short-term peaks and fast reaction. Seeing fuel cells replacing main engines will take more than 30 years though. These cleaner fuels and the more robust set-up of the engine room together with smarter condition-based maintenance schemes will reduce the workload of the engine department.

Nuclear power remains the wild card in future shipping scenarios. The pressure to reduce carbon footprint, especially in shipping, is the main argument for nuclear power. Liability issues, a shortage of marine engineers qualified for nuclear reactor operation, and the current political climate are the main arguments against. But many things may change in 30 years; progress in nuclear technology and changes in political perception of fossil fuels vs. nuclear fuels may swing the balance.

Of course, any prediction in this field is highly speculative. I believe that a scenario of nuclear shipping cannot be ruled out, but is unlikely to be seen in the next 30 years as we should still have abundant sources of LNG by 2050 and most stakeholders will be far more comfortable with LNG as standard fuel for shipping.

## SLOW DOWN

The quest for transport efficiency will favour lower ship speeds. Ships are then likely to become wider and shorter, and propellers may have fewer blades. Propulsion improving devices may become standard, reducing energy losses at the propeller. There are various technical solutions, often from the 1970s, that may see a wide-spread renaissance: asymmetric sterns may see wider adoption after patent claims run out. Alternatively, 'pre-swirl fins' can be attached. Contra-rotating propellers or vane wheels are likely to play a larger role as better design procedures and lubricants solve traditional issues with these devices. It is too early to predict the future of air lubrication, but if the recent installations of the European Silverstream system and the Japanese MALS system live up to their expectations we can expect a lot more of such installations. The general trend towards lower speeds and wider ships play in favour of air lubrication technology. They also help the case of wind-assisted propulsion. Here, only robust and highly automated



**Green dolphin: Might future bulk carriers have straight stems for added wave resistance?**

systems make sense, for example those based on Flettner rotors or employing kites.

Finally, a word on smart ships. Falling costs for sensors, computing power and satellite communication make it a safe prediction that ships of the future will be 'smart', that is to say have assorted embedded data processing. An example is condition-based maintenance systems, which are able to diagnose eventual problems at an early stage and support the fixing of the problem by ordinary persons without expert knowledge on the system, possibly using Augmented Reality for intuitive guidance. This development will resemble what we already see for cars: we have smart cars with automatic brake systems if pedestrians cross, automated parking, and self-monitoring tire pressure. We also have Google's self-driving car.

For ships, we will have low-crewed smart ships with automatic collision avoidance; automatic berthing; self-monitoring for hull, engine and cargo and so on, and we will have no-crew drones for specific applications, such as short-distance ferries, tugs and fireboats.

The progression will be gradual. Some regions like central-northern Europe and the Far East are likely to pioneer the progress towards tomorrow's shipping with their stronger focus on environmental issues and local maritime industries that strives on innovation. **SN** Volker Bertram is senior project manager, Technology, Knowledge and Governance at DNV GL.

**“With LNG as a standard fuel replacing heavy fuel oil, the machinery room will look different”**



**The propulsion improving Grim Vane Wheel, patented in the 1970s, could enjoy a renaissance**

Maersk has high hopes for drone deliveries to its ships

# It all started with a box of cookies

Lara Shingles celebrates Maersk's trail-blazing use of drones for urgent ship deliveries



Lara Shingles

In March, a small team from forward-thinking Danish shipping line Maersk tested and used drone technology to send a freshly baked batch of cookies across the chilly Danish waters to crew waiting patiently on board *Maersk Edgar*.

This test, in collaboration with Xamen Technologies, was not only the first instance of drone delivery to a vessel at sea, but also another step forward in Maersk's much larger exploratory project: to integrate drone technology into its day-to-day operations across all of its businesses.

Drone technology has already started to be utilised by companies outside of shipping, despite a mixed response of combined incredulity and scepticism. California-based start-up company Matternet has been running drone deliveries of medical supplies and specimens in countries around the world, including Switzerland, Haiti and the Dominican Republic, since it was founded in 2011.

German delivery firm DHL has been running a similar drone delivery service since 2014 using an autonomous quadcopter, or 'parcelcopter', to send small parcels of medicine and other urgently needed goods to the German island of Juist, a sandbar island 12km into the North Sea from the German coast. Perhaps a little more tongue in cheek, Amazon published a video starring TV host Jeremy

Clarkson late last year claiming to be from the not too distant future, that showed its drones delivering a child's football boot within 30 minutes. "In time, there will be a whole family of Amazon drones," Mr Clarkson touted.

## JOURNEY TO DELIVERY

Maersk has been looking at drone technology, and how it could be applied to Maersk Tankers and the company in general since the middle of last year, according to Markus Kuhn, chain manager at Maersk Tankers and part of Maersk Group Procurement Marine.

The company quickly decided on the delivery aspect to save last mile costs, among other advantages, after reading about DHL's own experience with drone deliveries, although it's journey to test day thereafter was a long and arduous one.

Besides the normal challenges of getting buy-in and support for new technology and pilot tests in a big organisation, Mr Kuhn tells *Shipping Network* that Maersk had to familiarise itself with, and ensure that it followed, the legal, regulatory, insurance, HSSEQ and, of course, ATEX requirements, which stem from two European Directives for controlling explosive atmospheres: the ATEX Workplace Directive and the ATEX Equipment Directive.

The ATEX Workplace Directive outlines the minimum requirements for improving health and safety protection of workers potentially at risk from explosive atmospheres, while the ATEX Equipment Directive supplies the approximation of the laws of Member States concerning equipment and protective systems intended for use in potentially explosive environments.

He adds: "The ATEX requirements, in particular, presented challenges in the beginning, in terms of finding a suitable partner who could provide a drone, and who was willing to collaborate on this test and modify their drone with a remote-controlled hook to release goods."

### ● Topic: Drones

**I** Keywords: alternative transportation, ship supplies, medical assistance

**Background:** The use of drones for fast and cost effective movements of parts and supplies to ships moves a step closer

Even on the test day itself, Maersk had to overcome further challenges. Although never a problem from a technical point of view, the poor weather conditions, for example, forced the company to change its intended route due to legal restrictions requiring the flight to be within line of sight.

Given the amount of improvising that took place, Mr Kuhn admits that Maersk was more than happy with how things went during its first test run. It immediately provided the company with valuable experience in its delivery method, for instance, in terms of either dropping an item or carefully landing it on the vessel.

The results have since helped Maersk to identify and address problems, particularly with locating drones that are able to operate in normal marine conditions with harsh winds for future deliveries, and the legal and regulatory misalignment between the different countries in regards to drones.

"It might be that we have to initially focus on the big volume areas in the world for shipping, and work together with authorities there to find a safe and reliable way of using drones commercially for our vessels and rigs," says Mr Kuhn.

### REAPING THE BENEFITS

Should Maersk be able to iron out the difficulties it identified during its initial test, drone technology could completely change the company's scope of work, and bring with it a plethora of benefits – not least cost saving.

Currently, there are high costs for onboard delivery of small parcels filled with urgent spare parts or mail because of the need for a barge. Maersk Tankers estimated that costs for a barge are on average \$1,000. With the current payload, drone use could bring potential savings of \$3,000 to \$9,000 per vessel per year, it says.

In the tanker business, it can also be difficult to predict far in advance which port will be called at next, and, even when in port, it can be complicated as well as expensive to deliver items to vessels because they are not along the quayside, adds Mr Kuhn.

Once a suitable ATEX approved drone becomes available, Maersk Tankers could avoid costs and time for

washing, gas-freeing and re-inserting during a cargo tank inspection too.

What's more, drones could increase the quality of inspecting challenging areas with high quality images, meaning problems such as cracks can be identified faster and Maersk could, therefore, avoid higher expenses if said problems are discovered later on. Not forgetting that some inspections can pose risks if performed by humans. "If drones are approved for tank inspections, it will improve safety on tankers and potentially other oil-related installations", he says.

### BEYOND A BOX OF COOKIES

It is safe to say, Maersk are thinking well beyond a box of cookies; this test was part of a much larger exploratory project. Already, the company is planning to carry out a second test delivery later this year that not only goes beyond visual line of sight, but also spans a greater distance and weighs much more.

For Mr Kuhn, the only restriction will be technical development. It's otherwise quite easy to imagine drones eventually being sent to provide assistance to ships that have broken down, or whose crew have suffered a medical emergency at sea some 100 to 200 kilometres away, he says.

If drones could handle the most urgent of the deliveries, particularly those involving mail, spare parts or medicine, it could represent a huge saving for the company.

According to Mr Kuhn, Maersk is also planning to apply the drones to other businesses under its umbrella, such as Maersk Oil, and has already tested drones for inspections. APM Terminals and Maersk Supply Service are beginning to investigate drone technology as well.

Maersk Oil is using them for installations in the North Sea and APM Terminals for cranes in its ports. A small group of experts, including Kuhn, is meanwhile identifying the common interests of business units and listing potential suppliers.

Cookie deliveries for crew at sea are simply the beginning, not only for Maersk but for other companies across all platforms in the industry as well; the introduction of drones in shipping could fundamentally alter how ships are serviced, supplied and ultimately operated in the future. **SN**



"It's easy to imagine drones eventually being sent to provide assistance to ships that have broken down, or whose crew have suffered a medical emergency at sea some 100 to 200 kilometres away"  
– Markus Kuhn



## Investing in projects for everyone's benefit

Maersk Oil is using aerial drones as an integral part of its inspection programme in the North Sea. Not only are they cheaper and more efficient, but they also increase safety offshore, the company says.

Certainly, Maersk's newest high-flying helpers have dominated headlines elsewhere for some time now, but as the technology has matured, a swarm of unmanned aircraft has started to flock into the oil and gas inspection industry.

"Drones are one of this decade's mega trends, and with the results we have achieved so far in our operations in Denmark and the UK, I am convinced that the use of drones will be an integrated part of the oil and

gas industry," says Martin Kaster Agerbaek, lead production engineer in corporate technology and innovations.

Inspections of flare tips, for example, normally have to be undertaken from a full-scale helicopter with a photographer on board. This means staying a longer distance away with deterioration of image quality as a result.

Instead, Maersk is able to get even closer to the flare tip, even with it up, by using drones, giving the company better information to determine its structural and process integrity, while at the same time saving money and shifting resources. **SN**

# The man with the plan

AAL's Nicola Pacifico talks with Carly Fields about the challenges of planning breakbulk cargoes



Nicola Pacifico

The neat modular nature of the container industry makes planning a breeze. With outsized, irregularly weighted or freeform shaped cargoes, breakbulk planners have a much harder job of it. Indeed, planning for these atypical cargoes is more art, than science. Every shipment is unique, from comparatively light turbine blades with huge dimensions to small, but extraordinarily heavy turbines and generators.

To meet the stowage planning challenge presented by such a wide range of cargoes, project cargo carriers need a different calibre of stowage planning personnel. Nicola Pacifico

● Topic: Stowage

I Keywords: breakbulk, planning, challenges

Background: Creating a cargo plan for breakbulk is far more complicated than for standardised containers

is one such man: a naval architect by profession, he is head of transport engineering at multipurpose ship operator AAL, based at its headquarters in Singapore. He has over 25 years' experience in maritime engineering and heads up a highly experienced in-house multinational and multilingual team of engineers based in AAL's regional offices across the world.

He tells *Shipping Network* that it takes a unique set of skills to be able to accurately, safely and competitively plan the stowage of a multipurpose vessel. Knowledge of engineering and ship architecture count for a great deal, and some experience as a

mariner can also help. "We have to know and understand every detail about the size, weight, fabric, and stresses and forces behind the cargo, and every detail about the vessel and its equipment and capabilities," he says. "By the end of a project, we will probably know the cargo and the vessel better than their owners."

Not every multipurpose vessel planner is created equal and there is a need for creativity and determination. "We have taken on complex project transports that have been deemed as impossible by other carriers – and we have delivered them safely, efficiently and on time. It's about being able to gather and assimilate all the data necessary to 'visualise' the entire operational sequence of a lift, stowage and discharge plan." Nicola's driving force is the commitment made to customers, which hardens his resolve to overcome the unique challenges his team face on each job.

## SHORTFALL AHEAD

It's a highly specialised role and one that may soon suffer from a dearth of talent rising through the ranks. It seems good engineers with the necessary experience are hard to find. Nicola explains that it might take up to five years to bring an engineer to the level needed to work independently.

"It took us years to build our in-house team and we are lucky to have some of the best engineers in the business within AAL. Our planning needs to offer full protection for the crew, the cargo and the vessel and – at the same time – deliver optimum time and stowage efficiencies - with every point and call in the sailing considered."

"Ships are tools – like computers – and only by knowing the parameters of these amazing vessels and their heavy-lift technologies can we challenge traditional norms"



Planning the load for outsized cargoes can be testing

In this digital age, there are some tools that can help the multipurpose stowage planner, but they tend to be broad brush and not specific enough to the uniqueness of every cargo.

“Complex 3D software technology exists and helps in our planning process – but cannot provide a solution for complex project cargo, as let’s say similar software used for standardised container vessels, where the cargo is uniform.”

AAL has employed bespoke multipurpose vessel software in the past, but found that it is only able to create an overall simulation and not a definitive solution. “The reality is incredibly different from the theory and so is the time and investment,” says Nicola.

For example, engineering for a recent shipment of gantry cranes into Melbourne started in June 2014 for a project that has only just got underway. And to make the units fit onto AAL’s A-Class vessel, the operator had to remove the support mechanism for its own cranes, something that the software would not have suggested on its own.

In another example, Nicola explains that AAL transported heavy-lift gantry cranes from China to Australia that were almost 30 meters in height and width. They were loaded with just centimetres of clearance space to spare. “There is no software that can legislate for the many variable factors needed to be taken into account by an engineering team on such a job,” he says.

## WIND WEALTH

The cargoes themselves are also evolving. Take, for instance, the wind power sector. The design of wind turbines has drastically changed since the beginning of the 21st century and turbines and their components have increased in size in order to maximise the output of these giants. Movements of these behemoths can be challenging due to their sheer size and their cumbersome nature.

But the pickings are rich for carriers that can cope with their lofty demands. China alone plans to triple its total wind power capacity by 2030. Wind power installed capacity in China is predicted to increase from approximately 149 gigawatts in 2015 to over 495 gigawatts by 2030. China already has the highest wind power globally by far, accounting for a third of cumulative wind power capacity worldwide in 2015, followed by the US with 17% of the global share. While some turbines are made domestically, many more are made elsewhere and then shipped in to the planned wind farm.

But not all multipurpose carriers make the grade for carriage of these wind turbines or other specialist out-of-gauge cargoes and this is partly a result of underinvestment in the skills needed on the planning side. Some smaller companies opt to subcontract their engineering facilities to non-specialised suppliers rather than make the necessary investments.

However, he cautions against this: “Ships are tools – like computers – and only by knowing the



Stowage plans for free-form shaped cargoes can take as long as two years to finesse

parameters of these amazing vessels and their heavy-lift technologies can we challenge traditional norms and do the exceptional for our customers.”

Changing regulations and restrictions around the world will continue to keep specialist carriers on their toes, so the key is for operators like AAL to keep adapting.

“Engineers,” says Nicola, “can make the difference between a sailing’s profit or loss – so future engineers hold in their hands the ability to differentiate carriers and the quality of their solutions to their customers.” **SN**

## A process for planning

While the ever-changing specifications of breakbulk cargoes means that there is no ‘typical’ stowage plan, there is still a regular pattern that a multipurpose stowage planner will follow:

**Step 1:** Collection of cargo details/packaging list and vessel details and also details of the point of loading and point of discharge. With these details an initial proposal plan is created. This plan is also illustrated within a software programme, which visualises the entire operations sequence – from lifting, rigging, lashing and stowage.

**Step 2:** The proposal plan is submitted to all counter parties. This might go through 12 or 13 rounds of changes before a final plan is agreed upon.

**Step 3:** The final plan is then submitted to cargo owners and their own external stakeholders, such as insurance companies and underwriters, for their final sign off.

**Step 4:** The approved plan is then briefed to all relevant parties including AAL’s operations teams and other ground crews at relevant ports of loading and discharge. **SN**

# Exceptional by name, exceptional by nature

Felicity Landon finds out what it takes to move special cargoes around the world



Felicity Landon

We may be living in an increasingly standardised, automated world but there's still a big part of the shipping world where you can expect the unexpected – every day. Welcome to project, heavy-lift and out-of-gauge cargo shipping, a world where not everything fits into nice, neat 20-ft and 40-ft containers.

What does it take to move the huge, the heavy and the sometimes ugly across the world? Operators specialising in this field talk about being creative, thinking on your feet, having the best contacts, calling in favours and, above all, working closely with everyone involved and paying attention to every, minute detail.

**Topic: Special Cargo**  
**Keywords: Out-of-gauge, breakbulk, transportation**  
**Background: The international movement of unconventional cargoes keeps forwarders, carriers and agents on their toes**

Rickmers-Linie is a specialist in the global shipment of breakbulk, heavy-lift and project cargo. "The heavy-lift and project business is very much a people's business," says Gerhard Janssen, director global sales and marketing. "As a supplier or freight forwarder, you need to know who you can trust your valuable – sometimes several millions of dollars' worth – cargo units to. This is related to the knowhow aspect as well as the financial solidity and transparency of the carrier. Furthermore, highly skilled and well-trained specialists are needed on the nautical side on board as well as on the cargo engineering and stowage planning ashore. Needless to say, it also takes a well-maintained specialised fleet."

Among the project and heavy cargoes currently keeping Rickmers-Linie busy are rubber-tyred gantry cranes, port mobile cranes, turbines, generators, transformers, wind energy components, rail wagons, boats and yachts. Notable in recent times, says Mr Janssen, was the transport of the largest and most efficient gas turbine manufactured by Siemens for a power plant project in Turkey.

The 485-tonne turbine, together with a 465-tonne Siemens generator and accessories, were loaded from a barge on to the *Rickmers Hamburg* at Bremerhaven. Destined for the gas power plant project at Hamitabat, northwest Turkey (due for completion in summer 2017), this was the first of four shipments and was discharged in the port of Tekirdag, southwest of Istanbul. Putting a job like this together involves co-operation; Navitrans, the agents for Rickmers-Linie in Turkey, secured the project in negotiations with German project freight forwarder Bertling in Istanbul, which had been appointed to co-ordinate



Non-uniform cargoes present a whole new set of handling requirements

logistics for the project. Bertling's Hamburg office supported its Turkish colleagues with the pre-carriage arrangements in Germany, as well as in local co-ordination and documentation.

## GERMAN CONNECTION

Another series of big moves was closer to 'home'; Rickmers-Linie transported a total of eight new propellers from Hamburg to China, for eight Rickmers Group 13,000 teu container vessels. The propellers, each with a diameter of 7.2 metres and a weight of 84 tonnes, were installed as part of a project to enhance energy efficiency. The line also transported a number of patrol boats for the German Federal Police from Germany to Greece.

A recurring theme in the heavy-lift/project sector has been the number of inexperienced would-be forwarders looking to pick up work in what seems a relatively busy area – and that has particularly been the case since 2008. As container volumes took a beating, forwarders looked to the project sector for opportunities; and, with freight departments and purchasing managers under increasing pressure to secure the lowest cost transport solutions, concerns grew about undercutting by companies offering services in a sector they knew little or nothing about.

"Moving project cargo is not like getting a 20-ft box to Shanghai," said one project cargo expert. "This a specialist market and people need to be understand that perhaps cheapest isn't the best, because they can get their fingers burned."

"The purchasing manager needs to be shown the cost of the item in question, so they see things in perspective. If you are selling a piece of equipment worth millions of dollars, to a customer in another country, would you want to risk all sorts of problems and claims for a 5% saving on freight?"

Surveyor Arjan Honing, based in Interloyd Averij's Amsterdam office, says an increase in breakbulk cargo being

shipped on container vessels does create challenges. "In that market [containerships], we have to deal with people who say that they are experienced in loading and lashing issues," he says. "However, sometimes we see that cargo is secured to empty flats which are used to create a 'tweendeck. When there is no pressure to the flatrack from the cargo which needs to be secured, you just attach your lashing to a counterweight and 'hopefully' it will reach the destination in one piece. We have already re-lashed some of these shipments."

All project cargo is either very expensive or critical, so it needs to be taken care of, says Mr Honing. "What shippers and cargo owners need to be aware of is that they hire experienced professionals and not just go for the cheapest one."

### CRADLE TO GRAVE

Of course, transporting a massive generator doesn't just begin and end on the quayside. Transport to and from the port, whether by road, rail or inland waterway, requires meticulous planning, experience and understanding of the myriad of rules and regulations involved. In some countries it can take weeks of bureaucracy to secure the necessary permits to take an oversize or overweight load on the roads. Rules relating to maximum axle weights, maximum heights and widths, escort requirements, permitted routes, the use of bridges, and driving times allowed can vary from one part of a country to another, let alone across national borders.

Pieter van der Weijden, director at Moerdijk-based Ryano Logistics & Projects, says: "Pilot cars in Germany have different restrictions to pilot cars at France, for example. It is the same with time of arrival at the borders. In Germany you can only drive in the night and in France you can only drive in the day. Co-operation between countries could be improved."

Another example is at the border crossing between France and Spain at Le Perthus, on route to Barcelona. Heavy and oversize loads can only pass this border between 03:00 and 09:00. "Meanwhile the highway, which is parallel, is big enough to go straight past the border," says Mr van der Weijden. "So, with three metres width, allowed to drive on the Autoroute in France, you can drive until just before Spanish border, have to take the junction, go via the national route towards the border, and can only pass in the night. With the current regulations about driving hours, it



Some breakbulk cargoes are truly awe inspiring

**"Sometimes a very small change can make a massive difference to the overall dimensions of a piece or the transport options"**

is always challenging to schedule the truck and driver to make sure he's within the regulations and still crossing the border in the night."

Allseas Global Logistics has transported everything from 132 giant buoyancy modules to the Mediterranean to entire aircraft fuselage training simulators to Ethiopia. Project manager Des Nott says there are manufacturers who don't give any thought to the sea voyage – or any part of the transport – when designing a large piece of machinery or equipment. And yet, if they planned early with the logistics and packing specialists, they could cut costs and make transport far easier. Sometimes a very small change – perhaps making a component removable or welding on some additional well-placed D-rings for lashing purposes – can make a massive difference to the overall dimensions of a piece or the transport options.

## An ear to the ground for adaptability

GAC recently moved a 3.5 tonne sculpture, *Van Gogh's Ear*, from Poland to New York, to be placed outside the Fifth Avenue entrance to the Rockefeller Center as part of an exhibition. The 10-metre-high sculpture, made by two Scandinavian artists in the form of a swimming pool in the shape of an ear, presented unique challenges for the logistics experts.

Plans were made to take it on to a low-loader truck to Bremerhaven, for loading on a ro-ro ship. Special permits were arranged which covered the schedule for night-time movement and a

police escort, and time was extremely tight. When it became clear that the sculpture would not be ready in time the plans had to be revised at the last minute.

*Van Gogh's Ear* was sent to Zeebrugge to catch up with the same ship three days after its Bremerhaven call; however, restrictions meant the truck could only travel the 1,300 kms to Zeebrugge between 22.00 and 06.00, and an unplanned road closure meant a big diversion as well. It arrived at the Belgian port just one day before the deadline.

SN



## Written by professionals for professionals

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

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

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

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

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## Counting on strong relations to fulfill GE orders

The operation of an assembly site just 300 metres from Italy's Port of Carrara was crucial for fulfilling an \$1.8bn order for five GE Oil & Gas giant power modules for Chevron's Gorgon project in Australia. GE had traditionally exported large machines through the port from its sites in Tuscany, and then decided to assemble complete modules next door to the port.

"GE rented a site, which is connected with a wide road to the port just 300 metres away; the components arrive from Nuovo Pignone's [GE owned] sites and from other GE sites in the world. So we are handling

the import of components and the export of the modules when they are ready to leave," says Carrara port authority president Francesco Messineo.

Carrara's success in securing and maintaining this work is based on strong co-ordination and co-operation between all the stakeholders, including GE, Porto di Carrara, the port authority, the municipality and provincial/regional government, he says. It included the municipality agreeing to modify the town plans; the land had been designated for logistics and not manufacture, but the port successfully lobbied for this to be changed. **SN**

Large structures often have to be moved in one piece



Setting sail for the final destination

some innovative lifting methods, the removal of glass window panes in the front of the building to create a 'doorway' and the removal of ceiling panes inside to provide clearance above the crane jib.

The second CEET, measuring 22 by 6.5 metres and nearly 5 metres high, had to be split into five sections to be taken by road to Southampton and then loaded on board the ship.

In another interesting move, CMA CGM's logistics subsidiary recently transported Jacques Cousteau's legendary oceanographic ship *Calypso* from France to Turkey for renovation.

Star of *The Undersea World of Jacques Cousteau*, the *Calypso* is 40 metres long and weighs 110 tonnes. The job required finding and chartering a vessel large enough to have two cranes with the power to lift the *Calypso* and yet small enough to berth in the port of Concarneau. The marine railway on board had to be customised and strengthened to secure the *Calypso*, and CMA CGM LOG also managed cargo handling pre-loading and organised the transport of its accessories in containers. **SN**

### WATERWAY

Allseas played a pivotal role in the Northern Cyprus Water Supply Project, in which an 80-km long, 1.6-metre diameter pipeline was installed to supply 19.8 million gallons a year of water for drinking and irrigation to Northern Cyprus from southern Turkey.

The pipeline is suspended at a depth of 250 metres below the water surface, held in place by 132 giant buoyancy modules manufactured by Trelleborg Offshore.

Allseas was appointed to transport the buoyancy modules – each one weighing eight tonnes and measuring three metres diameter and 3.6 metres in length – from the factory in the north of England to the project assembly site at the port of Tasucu, in Turkey.

This involved loading them on to specialist trucks at Skelmersdale, transport by road to Felixstowe, loading on to flatracks and shipping to the Turkish port of Mersin. At Mersin, Allseas unloaded the buoys and assisted with customs and other documentation, and reloaded the buoys to road trucks for the journey to Tasucu commercial port. At Tasucu, Allseas was responsible for unloading the buoys, including sourcing cranes for the task.

Recently, Allseas moved two cabin emergency evacuation trainers (CEET) from manufacturer EDM's Manchester facility to Ethiopian Airlines' new training facility in Addis Ababa. The first, measuring 15 by 4.5 by 4.5 metres, weighing about 18 tonnes and fully fitted with an array of delicate equipment, was shipped via ro-ro vessel to Djibouti and then driven across mountain roads to the final destination. Onsite, it had to be lifted and installed on to a motion platform, an operation which required



Geared ships take the brunt of the load

# Very superstitious, writings on the wall

Revd Andrew Wright asks why the seafaring community puts so much faith in superstitions



Andrew Wright

Seafaring is one of the world's oldest occupations and also one that is consistently subject to the most elemental forces of nature. It is no surprise that over the centuries, indeed the millennia, very considerable superstitions have grown at its heart.

It is amazing how seriously some still take superstitions. While perhaps many of these belong to a far gone era, they remain extraordinarily vivid still in the minds of some. In a previous job I had a highly intelligent colleague who would never pass you on the stairs on the grounds that to do so would be unlucky. As you approached, she would wait until your ascent or descent had been completed. She was also a committed atheist. That combination of a very rational, and indeed militant, atheism with a passionate adherence to such superstitious belief seemed rather strange.

## "Life's many fragilities take on a very special reality at sea"

There are few ways of life, I suspect, that have been as surrounded by as many superstitions as exist in seafaring. Certainly I have noted that has been the case in the UK, but I suspect it is a global phenomenon. There was so much to avoid and so much to observe that any crew member who took these things seriously must have found themselves in a state of constant anxiety.

To have a woman on board ship was historically regarded as an ill omen (possibly originating in some old fear of 'distraction'!) It is of note, however, that many ships once had the potentially distracting figure of a bare-breasted woman at the bow. This was inspired by a belief both that such a sight would shame the stormy seas into a calm and that her clear eyes would guide the crew to safety.

Bananas aboard, of course, were a definite no-go (originating possibly in a fear of spiders), likewise so was whistling – unless you wanted a storm! To be trailed by a shark was a really bad sign but to be accompanied by dolphins promised good days ahead.

One should never sail, it was said, on Thursdays or Fridays (or on the first Monday in April or the second Monday in August). Sunday was reckoned to be a particularly good day to set out. Heading off on a voyage with debts outstanding or to encounter a red head before boarding were also believed to spell trouble and as for killing an albatross while on a voyage, well to see what may befall you then please read *The Rime of the Ancient Mariner*. All this and many, many more. Sailors' wives had a series of equally complex rituals to carry out, or avoid, during a voyage.



An albatross is a central emblem in *The Rime of the Ancient Mariner* by Samuel Taylor Coleridge

### FRIGHTS OF FISHERS

The lives of fishermen were especially prone to such dogma. Endless rituals were carried out to avoid disaster, before sailing and onboard. Some fishermen were known to refuse to join a voyage if something unlucky happened on the way to the dock. Back at home families faced equal pressure. In some communities, on sailing day no clothes could be washed to avoid your husband being washed overboard. You could not wave goodbye or call after your husband after he left the house.

This all came home to me when I was given the opportunity of a week aboard a Shetland trawler. I joined the vessel in Lerwick, although the crew were all from the famous Shetland seafaring island of Whalsay. There they speak with as impenetrable an accent as I believe exists in the British Isles. In fact, after 24 hours I was forced to admit that I could understand almost nothing of what they said to me. "Can you understand me?", I asked. "Oh yes," one responded, "we hear people like you on the television all the time." At least I think that is what he said.

For me this was my first introduction to a professional life at sea. It gave me my first insight into the impact of spending most of your working life away from family. It made very real to me the

A bare-breasted figurehead was thought to calm stormy seas



challenges of seafaring – there are few better places to experience the perils of the sea than in a trawler off the north coast of Scotland – and we had some pretty rough weather. Indeed, to stand gutting fish in a confined space beneath the deck, braced against a violently pitching and rolling vessel of that size, gives you a very graphic sense of the power of the oceans. To avoid sea-sickness in such circumstances must surely be something of a miracle – and whether it was the pills, the ginger biscuits, the prayers, or just a natural sea stomach, somehow I did.

It was also an introduction to the commercial realities and tight margins of the business of seafaring, in this case of “share” fishermen, self-employed and guaranteed no pay unless the catch is sufficient. In the case of my time on this trawler it did not appear it was going to be sufficient. It was, in fact, a very difficult trip for skipper and crew. They needed no reminding of difficulty. They had recently been rescued from the water after their last boat had sunk off Muckle Flugga, the wonderfully named northern tip of Shetland.

On this voyage we experienced frequent bad weather, gear failures, torn nets and disappointing catches. The moment that the cod-end is lifted aboard is always dramatic. The crew, and the gulls, gather around to see the fruit of the hard labour of many, many hours. On this hangs everything. You really get a sense of the ‘last of the hunters’.

## SUPERSTITION EVERYWHERE

Time and time again the catch was sparse. These were quiet men who knew each other and their roles intimately. Little needed to be said. However, I sensed a growing frustration among them and I began to think about those superstitions. I began to think about them because one of these concerns the danger and bad luck of having clergyman aboard or even meeting one on your way to the harbour, possibly linked to black clothing and prayers for the dead. Here I was, a clergyman living among them, very much an outsider.

I began to think about Jonah, that famous Old Testament story of a man tossed overboard to please God and calm the storm. I began to think a good

deal about Jonah. If indeed these were a superstitious bunch perhaps they might throw me over the side in search of better things. No one would ever know. Given my inexperience, the rough seas and the very low gunwale, my disappearance would have been wholly explicable. I was clearly becoming very aware of that great seafaring reality – the loneliness, remoteness and hiddenness of the seafaring life which, in some cases, can conceal some real nastiness.

Of course, my gloomy meditations were short-lived and groundless – my rationality was quickly restored. These were thoroughly decent men. I was deeply grateful for the hospitality I was given and for the quite extraordinary experience provided to me, one which helped me build empathy for the seafaring life.

The world of superstitions can perhaps be weird enough – albeit a few may have some logical origin. What was very clear to me during that week was that life’s many fragilities take on a very special reality at sea. It should be no surprise that superstitions, however weird they may seem, developed as a way of attempting to feel you had some control over your life and destiny. That same sense of fragility and impotence before nature is perhaps also a reason why so many seafarers have such a profound sense of faith and religion. As one old Skipper said to me recently when telling me of some of his greatest challenges at sea “seafaring skills can get you only so far...after that there is only God”.

So much for the weird, but what about the wonderful? On my first night on that fishing vessel we ate fresh halibut straight out of the sea, lightly fried with lashings of creamy mashed potato. To eat such a supper far out at sea, on one of the calmer evenings, amid a magnificent sunset after a vigorous day’s work, could anything be more wonderful? **SN**  
*Revd Andrew Wright is secretary general at The Mission to Seafarers, [www.missiontoseafarers.org](http://www.missiontoseafarers.org).*

Fishermen are known to be particularly superstitious



Credit: Royal Navy

# A different perspective on marketing

Virtual tours of ships: light-hearted speculation or viable marketing strategy, asks [Lara Shingles](#)



Lara Shingles



Unusual features can be highlighted with the latest viewing technology

Miami-based cruise line Royal Caribbean International recently pushed the boundaries of technology and innovation, combining the two to create exclusive, access-all-areas virtual tours for two of its most prestigious ships.

For Royal Caribbean, the introduction of this technology has brought with it the opportunity for potential and booked guests to virtually explore both *Quantum of the Seas* and *Allure of the Seas* before boarding either ship.

**“Shipping companies could create virtual tours of their own vessels to promote them for sale, passage or charter”**

Not only does this technology help guests plan their time so they get the most of out of their holiday, but it also helps to build ‘pre-holiday excitement’ levels, says Stuart Leven, Royal Caribbean International UK & Ireland’s managing director. “For both first-time cruisers and those who have never been on a Royal Caribbean holiday before, they can really get a sense of what a holiday with us will be like.

“Whether it’s the dodgems, the variety of restaurants, the

breath-taking views from the North Star 360 degree viewing capsule or even checking out the accommodation in advance, it’s the closest they can get to actually being onboard.”

Mr Leven claims that making onboard information available for Royal Caribbean’s customers has helped to generate interest and drive sales.

“We found that when we launched Google street view technology onboard *Allure of the Seas* in 2015, we had more than one million views – many of these from consumers who wouldn’t normally consider a cruise holiday,” he adds. “We also had more than 8,700 likes, shares and tweets, with it proving to be a great way for us to introduce this concept in real detail to potential future guests.”

## SHIPS FOR SALE

Given Royal Caribbean International’s success with Google Maps Business View, there is potential for this technology to be applied elsewhere in the shipping industry in the future. For example, shipping companies could create virtual tours of their own vessels to promote them for sale, passage or charter.

“People who are not so familiar with shipping would be able to get a better idea of what is onboard and how things are laid out,” says Institute Fellow and director at Ursa Shipbrokers Simon Ward.

“Alternatively, where ships are of unique design and function, it would enable buyers to see how this design and function works in reality. This could be for cruise ships, ferries, offshore vessels, specialist tanker and multipurpose vessels.”

Problems would still arise, however, from the accuracy of information being relayed back to potential buyers, he warns. “Seeing as we only allow good photos of ourselves on our Facebook profiles, buyers, I suspect, would not offer for ships without seeing them for themselves.”

Perhaps one solution to this is for shipping companies to not only offer a gallery of still images for potential buyers to navigate but also voiceovers and video clips dedicated to certain areas of the vessel for them to interact with, which is possible with more time and investment.

American automobile manufacturer Chrysler recently created a 360-degree interactive tour of its production facility using the same technology. Narrated by Sterling Heights Assembly Plant employee Shawn Jeffers, the tour also included 12 unique videos dedicated to individual areas of the assembly plant.

“Consumers spend hours researching various characteristics of a car in the buying process,” says Al Gardner, president and chief executive of Chrysler Brand, Chrysler Group LLC. “In today’s economy, and with so many options, showing where and how a product is made not only makes a lasting impression but also speaks volumes about a company’s commitment to quality and craftsmanship in the most transparent way.”

Certainly, such a video could help operating shipowners and/or shipbrokers with their own, pre-purchase enquiries about a vessel, in terms of the vessel’s type, design and other similar information, much in the way Mr Ward suggests.

It could, perhaps, even help with superficial, pre-purchase inspections of a vessel. Inspecting a ship - likely performed while it undertakes cargo operations under time constraints - without natural light and/or in dangerous or heavily contained spaces is an art that often goes underappreciated.

At the very least, a virtual tour similar to Chrysler’s

could help inspectors obtain photographs of a vessel’s engine room, cargo holds and ballast tanks, for example, without interfering with vessel operations.

### SHIPS FOR PASSAGE

The added option of making a vessel’s information more accessible and engaging through video clips as well as images poses another opportunity for shipping companies that are more closely involved with the general public sector.

If Chrysler can use Google street view technology to attract potential customers and promote its products before sale, why can’t shipping companies do the same to promote passenger accommodations onboard its cargo ships before booking?

Currently, shipowners often supply little more than a list of furniture in passenger accommodations on cargo ships, says Kevin Griffin, Institute Member and managing director of Griffin Maritime Company and The Cruise People.

“The main negative I see is that while we have about 250 containerships on which we book passengers, owners are generally reluctant to spend anything on PR,” he adds. “Nevertheless, even one such video could be quite helpful in lessening the fears of some intending sea travellers.”

“Our argument is that even a few passengers can help bring a ship’s daily time charter return to a slightly higher level, especially in a bear market in shipping like we have today.”

While exact quotations are unavailable, virtual tours made with Google’s street view technology claim to be extremely cost effective. The multinational corporation says that businesses pay just once for the photographer’s time to shoot and publish the tour. There are no ongoing fees and, once live, businesses are free to add the tour and associated photos to any and all platforms it may own, be it an official website or Facebook business page.

Certainly, there’s more sanity to the idea of shipping companies using Google Maps Business View to promote their own ships for sale or passage than one might first think. But who will be the first to dip a toe in the virtual tour waters? **SN**

**“Owners are generally reluctant to spend anything on PR... Nevertheless, even one such video could be quite helpful in lessening the fears of some intending sea travellers.”**



**Royal Caribbean embraced virtual tours for marketing its latest cruise ship**

# Wrong place, wrong type, wrong name

AGCS' [Rahul Khanna](#) analyses the unluckiest regions, ship types and names for shipping mishaps



Rahul Khanna

Now in its fourth year, Allianz Global Corporate & Specialty's annual *Safety & Shipping Review* focuses on key risk developments and loss activity in shipping (in excess of 100 gross tons) over the past 12 months, as well as identifying key developments in maritime safety and future risk challenges.

According to this year's review, shipping losses continued their long term downward trend with 85 total losses reported worldwide last year, with foundering the top cause of loss, often driven by bad weather.

**Topic: Incidents**

**Keywords: casualties, risks, analysis**

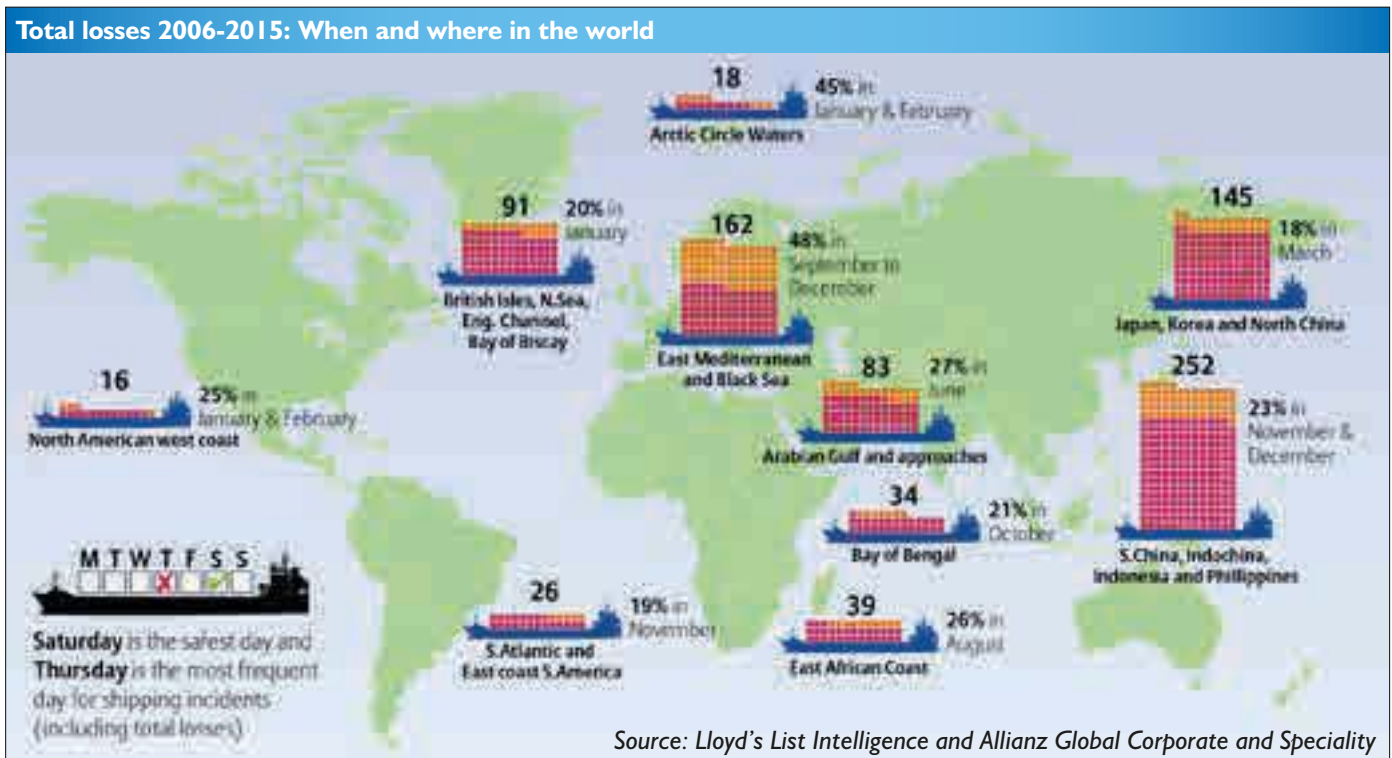
**Background: 2015 was the safest year in a decade for shipping, but some ships remain more prone to accidents than others**

Although losses remained stable year-on-year, declining slightly from 88 in 2014, this still meant 2015 was the safest year in shipping for a decade. In total, shipping losses have declined by 45% over the past decade, driven by an increasingly robust safety environment and self-regulation, according to the report. However, disparities by region, vessel type and even the day of the week remain.

More than a quarter of all large shipping losses in 2015 (22) occurred in the South China, Indochina, Indonesia and Philippines maritime region, which has been the top loss hotspot for the past decade. Losses increased year-on-year in these waters (up 3), unlike in other maritime regions, driven in part, by a number of recent ferry losses. Safety levels on some domestic routes are perceived to be many years behind recognised international standards.

Total losses were double those of the next highest loss region, the East Mediterranean and Black Sea (11). The East Mediterranean and Black Sea, Japan, Korea and North China and British Isles, North Sea, English Channel, Bay of Biscay maritime regions have all seen their five-year moving loss average totals improve considerably over the past decade. Conversely, the South China, Indochina, Indonesia and Philippines five-year moving loss average has seen little change.

Two hurricanes and bad weather were contributing factors in at least three of the five largest vessels lost during 2015. Bulk carrier *Los Llanitos* ran aground off the Mexican coast due to Hurricane Patricia, while extreme weather conditions due to Hurricane Joaquin have been put forward as the cause of the sinking of the *El Faro* off the Bahamas, which resulted in the loss of all crew. Meanwhile, gale strength winds led to the bulk carrier *Goodfaith* running aground in the Aegean Sea along the coast of Andros Island, Greece.



Source: Lloyd's List Intelligence and Allianz Global Corporate and Speciality

## LOVE'S LOST

Foundered is the most common cause of loss among the 10 largest vessels lost, also accounting for almost half (614) of all vessels lost over the past decade. In 2015 it was the cause of almost 75% (63) of total losses, often driven by bad weather; its highest proportion of all losses over the past decade. Such incidents were up 25% year-on-year.

Wrecked/stranded (grounded) accounted for three vessels and fire/explosion and hull damage caused the loss of one vessel each respectively. More extreme weather conditions have been predicted so weather routing will continue to be a critical component to the safe navigation of vessels. There were no total losses resulting from a piracy incident for the fourth successive year.

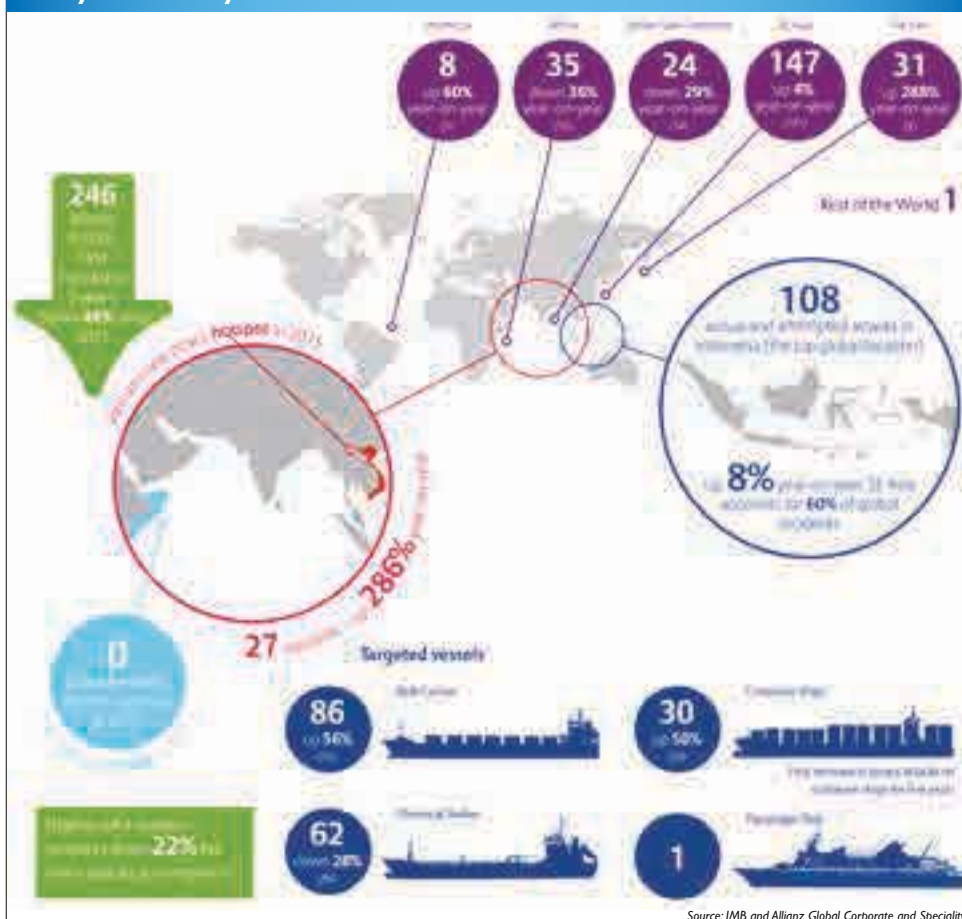
Cargo (36) and fishing (16) vessels accounted for over 60% of ships lost during 2015, with both types of vessels seeing a reported increase in losses year-on-year. This is the first time there has been an increase in cargo losses for three years, a potentially concerning development. Although fishing vessels have seen a reduction in losses over the past five years compared with 2006-2010, they remain significantly exposed due to their often harsh operating environments and time pressures around catching/quotas. Together, cargo (506) and fishing vessels (213) have accounted for almost 60% of the 1,231 large shipping losses over the past decade, while bulk carriers rank third (97). Cargo has topped the loss rankings every year for the past decade.

In total, there were 2,687 reported shipping casualties/incidents during 2015, down 4% year-on-year. In terms of incidents, the East Mediterranean and Black Sea region (484) remains the global hotspot for the fourth year in a row. Together, with the British Isles, North Sea, English Channel and the Bay of Biscay, it accounts for a third of all the 25,434 reported shipping incidents over the past decade. Machinery damage (7,820) is the top cause of shipping incidents over the past decade, accounting for almost a third of incidents. Collision ranks second (3,961) with wrecked/stranded (3,930) third.

## UNLUCKY FOR SOME

Loss activity differs markedly around the globe, depending on time of year, analysis of 10 years of reported total losses shows. Perhaps unsurprisingly given the sometimes extreme weather conditions, January is the worst month for losses in the British Isles, North Sea, English Channel and the Bay of Biscay region accounting for 20% of annual losses over the past decade. Approximately one-in-five losses in the

## Piracy 2015: The year around the world



Japan, Korea and North China region occur in March. Over a quarter of losses in the Middle East Gulf occur in June. Almost half of losses in the East Mediterranean and Black Sea occur through September to December. Thursday is the most frequent day for shipping incidents to occur around the world, while Saturday is the quietest day.

Meanwhile, the most incident-prone ship is a title shared by three different vessels over the past decade, having each been involved in 19 reported incidents. The first is a ro-ro vessel operating in the Great Lakes region of North America, whose record includes 11 machinery damage incidents, four contact incidents and a fire.

The second is a hydrofoil operating in the East Mediterranean & Black Sea region which reported a number of machinery damage incidents resulting from foreign objects jamming the propeller. The third is a passenger ship operating in the British Isles, which has experienced 13 machinery damage incidences, three contacts, one fire and one hull damage incident.

And as a parting note, in classical mythology the Phoenix is renowned as a unique bird which burned itself on a funeral pyre before rising from the ashes to live again. Unfortunately, these regenerative powers do not extend to the maritime world. More ships with the name *The Phoenix* have been lost over the past decade than any other – making it the most common – and unluckiest – vessel name in shipping. **SN**

*Capt Rahul Khanna is global head of Marine Risk Consulting at Allianz Global Corporate & Speciality.*

# Salvors make the impossible possible

ISU's [John Witte Jr](#) examines how the sector will cope when the next big ship needs urgent assistance



John Witte Jr

The marine salvage industry has a long and proud tradition of intervening at sea to save life and property and in protecting the marine environment. Indeed, professional salvors are often the only ones with the equipment, experience and capability to prevent catastrophes at sea or to deal with the aftermath – safely and cleanly removing cargo, fuel and wrecks. Most decades produce an iconic casualty, from the *Torrey Canyon* and *Amoco Cadiz* to the *Exxon Valdez* and *Costa Concordia*. All have captured widespread public interest and received significant media coverage.

The job of marine salvors is to prevent or minimise loss for

● **Topic: Salvage**

**I** **Keywords: casualties, incident response, future-proofing**

**Background: Ever-larger ships make ingenuity and engineering innovation necessary skills for the marine salvage experts of tomorrow**

shipowners and their insurers and they invest, train and equip themselves to be ready for all eventualities.

The marine salvage sector is a substantial industry, subject to many pressures and issues. In some parts of the world there is an oversupply of salvage capability. There has been some consolidation in the industry and there may yet be more. Some of this consolidation is based upon market conditions while others are more a natural progression in various organisations' business plans.

In recent years the amount of emergency response work has diminished, due to general improvements in ship and operational safety following the introduction of SOLAS and other developments. Another factor that must be considered are owners'



Credit: Mammoet Salvage

Salvors are continually working on new salvage solutions

operators concerns over liabilities when older and/or vessels in less than pristine condition are involved in a casualty. However, while the number of operations may have declined, the values of property at risk – both ship and cargo – have increased. At the same time, salvage and wreck removal operations have become more complex and costly due to any number of related factors not the least of which is the involvement of the regulatory community that has become a partner with the salvage community in all recent casualties.

Nevertheless, the possibility of casualties is ever-present. Most casualties are still caused by human factors of one kind or another. Academic research shows that the root cause of more than 75% of marine casualties are human factors. Fatigue; poor communication; lack of technical knowledge; inadequate knowledge of ships' systems; poor ship handling and poor maintenance can all lead to a casualty. Continued vigilance on training; workplace management; quality of crew and so on

## Championing the continued use of Lloyd's Open Form

Traditionally the Lloyd's Open Form (LOF) has been the most widely used salvage contract when responding to an emergency salvage situation. This is one of the main issues that the ISU is focusing on: maintaining the status of Lloyd's Open Form as a mainstay of the emergency response market. The ISU looks at this issue from many different perspectives but one of our primary drivers is our efforts to 'demystify' as well as streamline the LOF process that is part and parcel of the LOF today.

Despite its great benefits, LOF is used less today than in the past. There has been much discussion about the reasons why LOF is being used less. It might be a result of improved ship-to-shore communications, the willingness of salvors to

work under other contract forms/modifications to the standard LOF, or a lack of understanding among owners and insurers about the merits of LOF, or a misplaced fear that it may be costly, to name a few.

ISU believes LOF has clear benefits. It is a clear and simple contract, with standard clauses that have been, for the most part, consistent and steeped in historical precedent. It enables rapid intervention in an evolving casualty situation chiefly because there is no need to negotiate terms upfront and the contract can be quickly agreed with a verbal agreement that is legally binding. It can be signed at a later stage. Property – hull and cargo – can be quickly saved and re-delivered to owners. [SN](#)



must be maintained by all ship's operators. And that, of course, includes most members of the ISU as vessel operators in their own right.

## SIZE MATTERS

One of the key issues currently exercising the minds of salvors, shipowners and insurers is the increasing size of vessels in several classes. Giant crude carriers have been in service for nearly forty years but more recently, cruise ships, LNG carriers, bulk carriers and, most noticeably, containerships have grown dramatically in size and therefore complexity when involved in a casualty.

This growth presents an increasing engineering challenge but also an increased administrative challenge. Notable recent containership casualties such as the *MSC Napoli* and *MSC Rena* off the UK and New Zealand respectively were, by modern standards, small boxships and not fully laden. Nevertheless, extracting the containers from such casualties, even in benign conditions, is extremely challenging. Salvors, and the supporting industries, are working to develop systems for removing containers as well as developing other equipment such as 'heave compensated' crane barges that will allow operations to continue in worse sea conditions.

Beyond the physical challenges lies the logistics challenge. In short, what to do with the discharged containers which may contain pollutants or hazardous material. Substantial space will be needed which simply might not be available in order to segregate and inspect recovered containers in a safe and logical manner. Add to that the administrative burden of dealing with hundreds or perhaps even thousands of separate cargo interests and chasing salvage security from all of them. It hardly needs stating that a fully laden boxship with, today, nearly 20,000 teu is a difficult challenge.

And a casualty can happen. The 15,000 teu *Emma Maersk* suffered a flooded engine room in 2013 but was close to shore and quickly assisted. Earlier this year, the 19,000 teu CSCL *Indian Ocean* grounded in the river Elbe for several days and required the deployment of substantial assets including dredgers and an array of tugs to be refloated.

## RIISING TO THE CHALLENGE

There is no doubt that salvors have and will continue to rise to any challenge. We have a track record of doing so. Solutions to even the most difficult problems will be developed and the job will be done. Existing equipment and techniques will be modified to fit the purpose if necessary and wholly new kit can and will be engineered as required.

To demonstrate the ingenuity of salvors one can consider numerous difficult cases from the raising of the sunken Russian submarine *Kursk* to the more recent *Costa Concordia*, efforts that would have been deemed impossible in the past.



Fire can be difficult to control on larger ships

Credit: The Nippon Salvage Company

In the case of the *Costa Concordia*, the huge cruise ship grounded on a rocky shoreline on the island of Giglio, Italy, the salvors and their partners engineered a highly complex solution. It was a requirement of the authorities that the ship be removed in a single piece, in an effort to ensure that there should be zero pollution or any lasting damage to the environment.

The methodology required substantial drilling operations to create a safe 'hold back' system to prevent the vessel from rolling into deep water. Giant cradles had to be fabricated and inserted under the wreck along with huge quantities of ballast to build up the sea bed. Enormous caissons had to be individually fabricated and welded to the hull. When all was in place, the *Costa Concordia* was gently and safely righted. The ship was then stabilised before being refloating and towed away for recycling.

This zero tolerance attitude from authorities to any pollution emanating from a casualty is welcome. Salvors are expert at preventing pollution either from casualties' cargo or bunker fuel. Safely removing pollutants is a key requirement of the modern marine salvor. Statistics from the ISU show that each year its members salvage ships carrying an average of more than one million tonnes of potential pollutants. Not all of that material was at imminent risk of going into the sea, but it is legitimate to question what might have happened had there been no professional salvor ready to intervene.

Marine salvors are to be commended and encouraged in their endeavours. They provide vital services and their investment and capability can help to save huge sums of money for property owners. The industry is not without its difficulties and challenges but salvors remain resilient and innovative and will always be ready to respond to the incidents of the future. **SN John Witte Jr is president of the International Salvage Union, the trade association for marine salvors worldwide with some 60 full members. Together ISU members conduct more than 200 operations each year and gross revenues from all sources are more than \$700m.**

**“Existing equipment and techniques will be modified to fit the purpose if necessary and wholly new kit can and will be engineered as required”**

**Larger ships present unique salvage challenges**



# Quitters, splitters and oversupply

Affinity Research's [Mark Williams](#) investigates when bulk freight markets will recover



**Mark Williams**

The political script in the West these days seems to be increasingly run by quitters and splitters. In Britain, the momentum wavers towards those who would vote to leave the European Union at the June referendum, with the 'out' camp believing either that the clock can be turned back to when Britain ran its own empire, or that the UK can become a sort of cold-climate Singapore for the Atlantic.

Various EU politicians are calling for a repeal of the Schengen Area – the 26 European countries that have abolished passport and any other type of border control at their mutual borders – believing that this would reduce the numbers of immigrants. Wannabe President Trump would withdraw the US from Nato, or at least cut US spending on Nato, believing that the US bears too great a burden for the security of its friends. His America would resign its role as the world's policeman, going much further than President Obama who has tried to 'lead from the rear' in foreign policy.

The rewinding of globalisation that has led to dwindling rates of growth in international trade has now been accompanied by a rising tide of nationalism and isolationism. It is as if the demagogues say "we changed our minds. We have decided globalisation did us no good. We no longer support it. We no longer feel interdependent with our overseas neighbours. They aren't welcome to our jobs or our hospitality any longer."

These trends are disturbing not just because they do nothing to limit the increasing sense of fear and anxiety in world affairs. Our industry, tied to no one country and subject to the whims of all, enjoys greater prosperity of its own when liberal internationalism prevails in the political arena than



Iron ore prices have risen this year on the back of supply side discipline from the mining companies

when authoritarianism and interventionism hold the whip hand. Uncertainty tends to make investors retreat to safe havens, such as the US dollar, which is enjoying a period of strength, or gold, the ultimate bear market hold. A strong dollar and a high gold price have historically coincided with weaker periods of global demand, lower commodity prices and depressed freight markets. That is the situation in which we find ourselves today.

When observers and participants discuss what must happen to turn around the weak shipping markets, they discuss the supply of new ships, the capacity and appetite for recycling old ships, the expectation of greater commodity demand, of optimisation, of productivity increases, of capacity utilisation. But above all, in the discussion of the shipping markets, one has to remember that markets are sustained and created by governments: it was governments that minted the first money and paid the first salaries. So when we are asked: "When will the freight markets recover?" we feel bound to include in our answer: when politicians put joining ahead of quitting, promote co-operating ahead of competing, and preferring common prosperity to beggar my neighbour policy.

## BDI CONFUSION

The dry cargo freight markets have received the widest attention for their distress as the Baltic Exchange plumbed to uncharted depths in the first quarter of this year. Those who see the Baltic Dry Index as a bellwether for the global economy probably read too much into it. Being dominated by the capesize markets, the BDI is really a short forward indicator of Chinese steel mill activity, and therefore a thermometer of the Chinese politburo's sentiment on economic stimulus.

Iron ore prices have risen nicely this year, and, at the time of writing, were trading above \$64 per tonne. This seems to be on the back of supply side discipline from the mining companies. In the first quarter of 2016, BHP Billiton, Rio Tinto



Credit: Rio Tinto

Rio Tinto's first quarter shipments of iron ore were up 11% on the first quarter of 2015

and Vale's combined production was 22m tonnes less than in the last quarter of 2015.

Rio for instance has reported that it shipped 80.8m tonnes of iron ore in the first quarter of this year, down 12% on the last quarter of 2015 but up 11% on the first quarter of 2015. Rio says it will meet its full year production guidance for 2016 of 350m tonnes compared with 258m tonnes in 2015.

Vale reported its first quarter iron ore production was 77.5m tonnes, down from 88.4m tonnes in the previous quarter, but up from 77.4m tonnes in the first quarter of 2015.

BHP Billiton reports 53m tonnes production for its first quarter 2016 from its Western Australia operations. This is a ten per cent fall from its previous quarter's production which is attributed to "adverse weather" and the beginning of railway improvement works.

BHPB and Rio Tinto have both announced that they will invest in improving their rail networks in Pilbara over the next two years, at an estimated cost equivalent of around US\$4 per tonne during the period.

It seems we should not get too excited about rising prices and interpret them as a consequence of rising demand. BHP Billiton's new head of Australian operations, Mike Henry, gave a verbal warning to journalists in April that the recent rises in iron ore and steel prices are merely seasonal variations and should not be interpreted as a rising trend. He said: "We have seen the seasonal run-up in steel demand through construction coming off a low base of inventories for both steel and iron ore that has led to the run-up in price, but you have seen more low-cost volume come to market here in Australia as well as elsewhere. You would expect that prices will not be sustained at these high levels."

## STEEL RECOVERY?

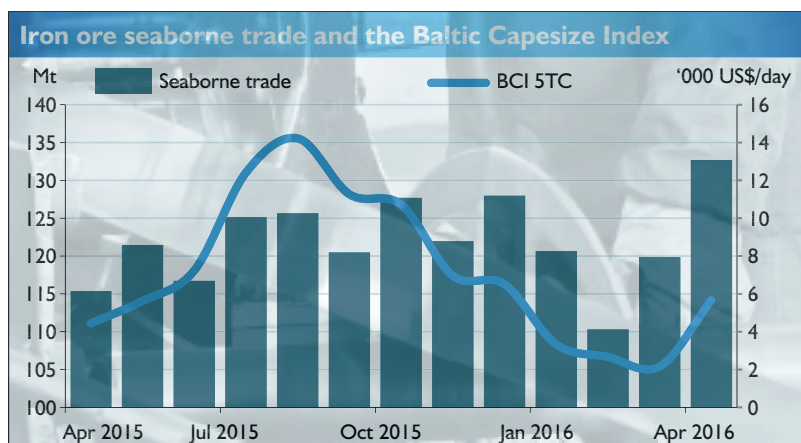
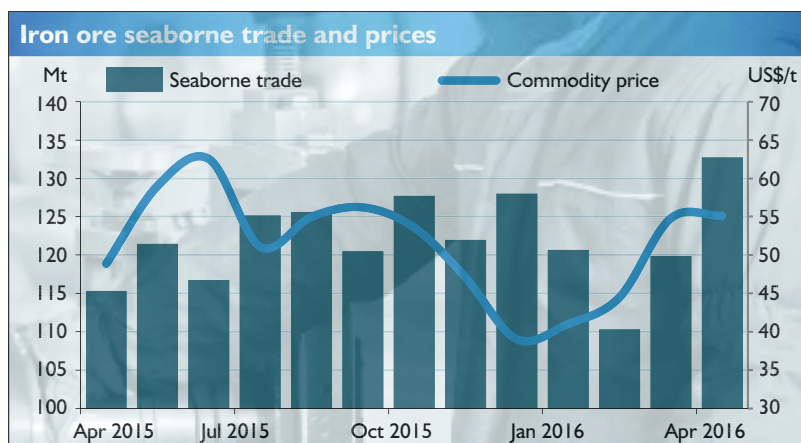
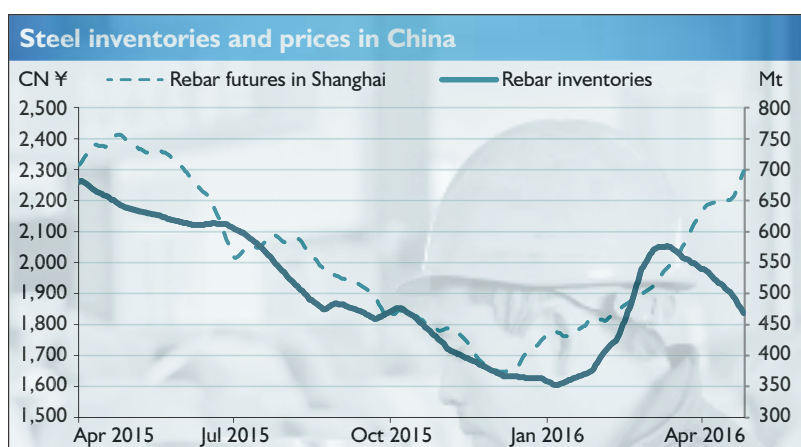
At the other end of the value chain, steel prices have also risen this year, with Chinese hot rolled coil prices recovering by over 50% this year to Chinese Renminbi 2,787 per tonne (around \$430) on April 21, according to the Shanghai Futures Exchange. Credit Suisse issued a report the same week saying that price rises are not just inventory related but also reflect growing demand. Indeed, steel inventories and steel prices spent most of the first quarter of this year growing in parallel so perhaps we should give some credence to the demand growth theory.

Certainly, if capesize freight rates are any indicator of Chinese steel demand, then their recent rise may be a reflection of improved Chinese infrastructure and property expenditure. The caveat is that this spending may be a result of looser credit conditions in China and may therefore be reliant on government pump-priming.

So is this the longed-for recovery in its infant stages, or merely a seasonal blip? Following years of disappointment, we would caution against exuberance. Ship owners should take their lead from the mining companies and manage supply to support prices. Dry cargo freight markets require at least another year of

firm demolition numbers and minimal ordering to keep fleet growth as close to zero as possible. Observed at-sea sailing speeds are still averaging below 12 knots in spite of low bunker prices; operators clearly get the message about managing oversupply.

In 2013 and 2014 tanker fleet growth effectively fell to zero. The falling oil price then stimulated demand in the Far East and tonne-mile demand leapt in 2015 leading to the best crude oil tanker freight markets for many years. Falling iron ore prices may not stimulate demand in the same way as the global steel markets remain very oversupplied, so the onus remains on owners to manage supply if the freight markets are to recover. *SN Mark Williams is managing partner at Affinity Research, part of the Affinity (Shipping) partnership providing ship broking, maritime economics, strategy consulting and related services to the international shipping industry. Go to [www.affinityship.com](http://www.affinityship.com) for more information.*



# A moving, but not untouchable target

S&P Global Platts' [Fabian Nwabueze](#) discusses the very real threat of maritime terrorism



**Fabian Nwabueze**

**T**errorism and the threat of terrorism have come to define the early years of the twentieth century.

Nowhere has this been more evident than in the aviation sector. The impact of the terrorist attacks in New York on September 11, 2001 transformed passenger security.

Precautions surrounding air freight – while less conspicuous – can be assumed to be equally tough.

But what of the maritime sector? There has been no terrorist inspired disaster on the scale of aircraft hijackings but there is disquiet about the sector's vulnerabilities.

The International Ship and Port Facility Security (ISPS) Code is meant to provide a measure of protection.

While players involved in maritime and shipping activities are expected to focus on their own operations to protect health and safety in the countries where they operate as well as on national and international waterways, the fact that shipping moves around 90% of the world's cargo traffic shows the potential scale of the problem.

## OPEN DIMENSIONS

Last year, a Russian A321 passenger plane disintegrated over Egypt. There is not yet consensus about what happened but it is almost certain there was an explosion in the plane's cargo hold.

It is a reminder that terrorist attacks are not restricted to rockets, shells and bullets and that any sector which handles large volumes of passenger and freight has frightening carriage weaknesses. Cyber terrorism is also increasing in popularity. The first cyber guidelines for shipping industry developed and launched by international shipping associations BIMCO,



**The effectiveness of Seafarers' Identity Documents (SIDs) should be scrutinised**

CLIA, International Chamber of Shipping, INTERCARGO and INTERTANKO and other stakeholders shows the ranges of what the wider industry is potentially up against.

It might seem that ships have a measure of security in that they are often at sea, far from population centres. An explosion in mid-ocean, while tragic for the seafarers, wouldn't pack the same publicity punch as an outrage in a capital city.

But does that really mean a seaborne asset has less appeal as a terrorist target? Almost certainly not.

Are the security systems around large cruiseships robust enough against today's terrorists' threats? It is common knowledge that some of these gigantic sea crafts can carry over 5,000 people on a voyage. Imagine the various legal and financial complexities that would emerge if there was a major incident. Another fear is the damage that could be wrought by the deliberate destruction of a chemical or gas tanker in or at off port areas.

And then there is the possibility of orchestrating a devastating pollution event. It is not hard to imagine the environmental cost of a blazing VLCC at the mouth of European port or in the Middle East Gulf. The commercial and financial implications could be endless with insolvencies, pressure on financial institutions and P&I Clubs, and disruption to world trade.

## HUMAN ELEMENT

It is important to remember that in this era of intermodal logistics parties the extended transport sectors could easily harbour unscrupulous companies with questionable safety and security management protocols.

Their susceptibility to infiltration means there is a very real threat to the wider supply chain. The continued depressed freight rates across most of the shipping spectrum could be



**The terrorist attacks in New York in 2001 turned a spotlight on port security practices**

## “It is not hard to imagine the environmental cost of a blazing VLCC at the mouth of a European port or in the Middle East Gulf”

heightening the danger. Ethics and good practice are sometimes the first victim of an economic downturn.

Even without some of the lowest freight rates in recent history, potential aggressors can exploit complacency and unprofessionalism.

Shipping by its nature is international and the sector involves people with different views and standards and different priorities. A threat which might be negligible in one part of the world could be very real in another. And a security lapse in one part of the globe might wreak havoc on the other side on an ocean.

Perhaps a stricter credentialing and screening of personnel working in the maritime industry would be a good first step; the quality of personnel entrusted with various levels of safety and security of maritime and port activities cannot be overemphasised.

The effectiveness of the Seafarers’ Identity Documents (SIDs) should be scrutinised, particularly to ensure they are subject to sufficient oversight. This should also be the case with the 2005 Protocols to the Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (SUA).

Other programs exist throughout the maritime industry and the wider supply chain networks to improve the security of cargo. Examples include; The World Customs Organization (WCO), C-TPAT, the U.S. Customs –Trade Partnership Against Terrorism, Container Security Initiative (CSI), the EU’s Authorized Economic Operators (AEO) and Economic Operator Registration and Identification (EORI) number.

The World Shipping Council believes supply chain security has already improved significantly without impeding world trade. However, the evidence of



Credit: Edna Wint

**A high percentage of trade is moved by ships making the sector susceptible to terrorism**

improvement in the area of cyber security is viewed to be limited. Anyone who has experienced the due diligence in a heightened security atmosphere could be forgiven for wondering how far that reflects reality, but the cost of taking security seriously pales against the cost of falling victim to terrorism.

Just how companies implement the ISPS Code and the International Labour Organization (ILO) Code of Practice on Security in Ports may give us an indication of how seriously shipping is taking the issue of maritime security. Yet, adherence to these instruments is just the minimum standard. More proactive, open and robust systems could be the smartest way of neutralising a growing menace. **SN Fabian Nwabueze is senior specialist – Maritime Business Analysis at S&P Global Platts, working in the Ocean Intelligence division. He has an MSc in International Maritime Studies; Shipping and Logistics from Southampton Solent University, UK and a BSc in Deep Sea Navigation and Cargo Transportation from the Odessa National Maritime Academy, Ukraine. Fabian is also a Member of the Institute.**

“A security lapse in one part of the globe might wreak havoc on the other side on an ocean”

## Sovereignty claims muddy South China Sea transits

Sovereignty disputes are causing security concerns in Asia of late, with South China Sea issues coming to a head in May when China scrambled fighter jets to meet a US navy ship which sailed close to a disputed reef in the Sea.

China claimed the move was an illegal threat to peace which demonstrated the need for its defence installations in the area.

Guided missile destroyer the USS William P. Lawrence tracked within 12 nautical miles of Chinese-occupied Fiery Cross Reef under a so-called “freedom of navigation” operation. The deliberate sailing was undertaken to “challenge excessive

maritime claims” by China, Taiwan, and Vietnam which were seeking to restrict navigation rights in the South China Sea, US Defense Department spokesman Bill Urban said in a statement to Reuters.

“These excessive maritime claims are inconsistent with international law as reflected in the Law of the Sea Convention in that they purport to restrict the navigation rights that the United States and all states are entitled to exercise,” Mr Urban said.

The event goes to prove the continuing tensions in the region and how security issues threaten the safe movement of ships through the area. **SN**



# Return of the dragon...

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# Causing confusion and consternation

The industry is underprepared for the July 1 container weighing deadline, finds FONASBA

The second round of The Federation of National Associations of Ship Brokers and Agents' (FONASBA) survey on the status of implementation of the amendments to SOLAS VI.2 revealed that with just a few months to go before the July 1, 2016 deadline, the situation varied widely across the more than 50 countries represented in the association's membership.

Its survey covered a wide range of topics surrounding the upcoming change, which will require that shippers of goods obtain the verified gross mass (VGM) of packed containers and communicate it to the ocean carriers sufficiently in advance of the ship stow planning.

From the nomination of the 'designated authority' to how transshipment containers and those shipped under free on-board sales will be treated, responses reflected the concerns and uncertainties countries have ahead of the implementation of the amendments.

One concern in particular at this late stage is that eighteen associations have not been issued with guidance on the practical application of the measures in the country concerned, reveals the survey. This situation has been intensified by the failure, until very recently in some cases, of governments to nominate a designated authority, FONASBA adds.

In terms of actually weighing the containers, while many countries stated that using a weighbridge is expected to account for the majority of all declarations, they also reported that the weighbridges necessary to achieve this are not only few and far between, but are also often in poor condition.

The estimated cost of weighing the container varied widely among responses to the survey as well, with figures ranging from free of charge to €200 per box. Similarly, the survey revealed that when calculating the weight by the sum of the parts, there is evidence that in many cases, no provision has been made to ensure the process is regulated or undertaken in accordance with agreed principles.

"It is staggering that with such little time left before implementation, a significant number of countries have so far failed to take action at a national level to ensure that the required measures will be in place on time," says John Foord, FONASBA's president designate, and liner and port agency committee chairman.

As supporters of the accurate verification of container weights since its initial proposal, FONASBA's members have been proactive in working with their national authorities and the container transport chain to ensure that measures are in place, he adds, and they are therefore frustrated that little or no progress has been made in some countries.

"This is one of the most important developments in maritime transport since the introduction of the container itself and the potential for significant disruption on July 1, or even earlier in the case of some transshipment containers, is considerable."



Credit: Nicolas Bouffesse

**Approach to container weighing differs widely internationally, nationally and even regionally**

## CONFIRMING COMPLIANCE

How designated authorities are planning to ensure trade is compliant also remains unclear for the most part. FONASBA's survey revealed a vast array of approaches. Belgium, for example, will rely on administrative sanctions, for which there is no legal basis available yet.

Authorities there, however, are still uncertain on how they can put effective controls in place, it adds. "Ideally they wish to effect control both by checking the presence of the VGM with the captain upon loading, and by weighing the container on the quay and checking the establishment weight against the documentary VGM."

Israel has stated that every container entering the port, including those containers which arrive by train, will be weighed either by the shipping line or while entering the ports by each port authorised weighbridge. Others, such as Denmark, France and Finland, will use the designated authority of the Police to make spot checks and unexpected controls.

Of the UK ports, DP World London Gateway, DP World Southampton, Felixstowe and Peel Ports in Liverpool are among those that have declared their intentions.

Both DP World London Gateway and DP World Southampton will be offering a comprehensive weighing service for UK exporters to determine the VGM of each container so that UK businesses can be compliant with the new legislation.

Ganesh Raj, senior vice president and managing director for DP World Europe and Russia, says: "From our contacts with UK exporters, freight forwarders and shipping lines, it is clear that the industry in general is finding it challenging to be ready to provide the VGM of containers, and without alternative solutions provided by our container terminals, this could become a significant logistics barrier for UK exports and world trade generally." **SN**

# Standing firm against maritime corruption

BIMCO's **Donald Chard** explains the need for a new charter party clause on corruption



**Donald Chard**

The shipping industry has always supported efforts to stamp out unconscionable bribery as a means of obtaining a contract or commercial advantage or for personal gain, but corruption often manifests itself at ports or places where officials and others ask for 'gifts' of cigarettes or alcohol as the price of fulfilling the task or job they are supposed to be undertaking. Refusal to meet such demands can lead to port delays and manufactured irregularities in documentary requirements leading to heavy fines, vessel deficiencies requiring expensive repairs and holds that fail to pass inspection.

Unfortunately, national legislation to prevent and eradicate bribery and corruption does not always distinguish between the material gain of bribery and what amounts to paying twice for the same service when so-called 'facilitation payments' are demanded.

The UK now has one of the strictest regimes. Under the Bribery Act 2010 any payment, including a facilitation payment, is illegal. Payments made under duress may give rise to a defence. As yet there is no known case law in the context of the Bribery Act but it is likely that the degree of duress must be real and tangible rather than low level intimidation. Thus, any payment made beyond the tariff or charging scale for undertaking or completing statutory duties or contractual services or for the purpose of avoiding a purported regulatory breach, will almost certainly be illegal.

Such legislation, together with the need to demonstrate transparency in corporate governance, has encouraged organisations to formulate their own anti-corruption policies. Charter party clauses devised by charterers to address the issues often contain draconian rights to terminate a contract in the event of any payment seen as unlawful. Yet, corporations are rarely prepared to support an owner but, rather, are more likely to be examining off-hire provisions when a vessel is delayed while the Master stands firm against local corruption.

## BALANCING INTERESTS

In order to reconcile these competing pressures, following extensive consideration by a specialist sub-committee, BIMCO has developed a provision to balance owners' and charterers'

interests. The BIMCO Anti-Corruption Clause for Charter Parties was published in December 2015 and is designed for use in both voyage and time charter parties.

The clause, which is for worldwide application and not, therefore, linked to any identified national system of legislation, sets out a regime for responding to unlawful demands for gifts in cash or kind. Since such demands arise at a port of call and because the port is nominated by charterers, it follows that they should be part of the process of resisting unlawful demands. Charterers cannot look the other way or claim that this is the owner's problem; charterers must be part of the solution.

Accordingly, the clause sets out a series of steps requiring the contracting parties to work together to resist demands. However,

if this fails then, in contrast to market-made clauses where there is rarely any form of compensation, the owner's rights to continued hire or uninterrupted laytime and demurrage are protected. Termination of the contract is the ultimate sanction for breach of the clause but again, unlike many of the clauses currently in market use, it cannot be lightly invoked or used as a means

**"Unfortunately, national legislation to prevent and eradicate bribery and corruption does not always distinguish between the material gain of bribery and what amounts to paying twice for the same service when so-called 'facilitation payments' are demanded"**

of exiting an inconvenient charter.

The clause is for optional incorporation and it will not be relevant to all charters. Its inclusion in a contract will depend on the surrounding facts and circumstances but it might, appropriately, be put forward as an alternative to a more one-sided provision proposed by a counterparty.

It is important not to confuse the role of the clause, which addresses criminal law issues, with the separate and distinct charter party governing law and jurisdiction clause. By way of example, the UK Bribery Act will apply, regardless of the chosen governing law clause, where one (or more) party to the contract has "a close connection to the United Kingdom". If there is no such close connection, party agreement to apply English law and jurisdiction does not mean that the UK Bribery Act will automatically apply although the contracting parties are nevertheless likely to be subject to their own domestic anti-corruption laws.

## BIMCO'S CLAUSE

A copy of the Clause can be viewed and copied from [www.bimco.org/Chartering/Clauses\\_and\\_Documents/Clauses/Anti\\_Corruption\\_Clause.aspx](http://www.bimco.org/Chartering/Clauses_and_Documents/Clauses/Anti_Corruption_Clause.aspx). Looking at the sub-clauses



in detail, sub-clause (a) describes the scope of the clause and its application to the contracting parties and their respective employees and agents. It requires compliance with "all applicable anti-corruption legislation" which will include national laws in the parties' domicile or place of business and provisions in force at ports or places visited. In order to prevent the commission of any offence, the parties must have in place procedures, appropriate to trading conditions and the perceived level of risk, to combat corruption. There is also an express obligation to maintain financial records relating to the voyage or voyages although this is likely to be a restatement of companies' statutory accounting obligations.

Sub-clause (b) sets out the requirement for mutual co-operation between owners and charterers to resist any demand made (usually directed through the Master) for an unlawful payment in cash or kind. The phrase 'facilitation payment' is a term of art and as it might not be understood by all users, it has been avoided and the defined word 'Demand' used. The required co-operation is likely to include owners or their Master seeking assistance from port agents, P&I correspondents or possibly consular intervention while charterers might be able to bring pressure through their cargo interests, local corporate presence or contacts in regional government or the national administration. It is important that the parties work together as receiving a demand is as much of a problem for charterers as it is for owners, and charterers 'closing their eyes' will not satisfy the need for openness and integrity.

Sub-clause (c) is invoked when mutual co-operation has failed to resolve matters. At that point, in order to secure their interests, the owners or Master must issue a letter of protest. However, according to the situation this might more appropriately be sent only to charterers since directing it to a port authority or terminal (as is the normal practice), could exacerbate an already difficult situation. If it is directed to local interests, it should be copied to the charterers. The letter of protest is an essential step because it means that the vessel will remain on hire or that laytime or demurrage will continue to run for the duration of the delay.

Sub-clause (d) provides mutual indemnities in the event of a counterparty's non-compliance and is likely to be of relevance in the event of a breach that does not result in termination of the underlying contract;

Sub-clause (e) lays down the circumstances and criteria for terminating the charter party. Nevertheless, a high threshold has been set so that the provision cannot be used to walk away from a contract in response to an unfavourable movement in market conditions. The provision is triggered where a breach of the clause by one party (and this includes the

party's employees but not breaches by the party's port or other agents or contractors) places the other (non-breaching) party in breach of any applicable anti-corruption legislation to which it is subject. Thus, only if the non-breaching party is compromised can that party invoke termination. Moreover, termination is an option and any breach can be waived but, if the termination provision is invoked, it is expressly provided that the right must be exercised "without undue delay" so as to prevent its later misuse at a party's convenience.

Sub-clause (f) in contrast to the foregoing provisions which respond to unlawful demands made during the currency of a charter party, provides an innocent party with an automatic right of termination where, in breach of the warranty of compliance with anti-corruption legislation, the contract has been procured by corrupt means.



The clause is now being promoted widely in the market so as to offer users a measured and balanced alternative to the many provisions that owners might otherwise be pressured into accepting. It is hoped that, as with so many other BIMCO clauses addressing specialist regulatory or commercial issues, the BIMCO Anti-Corruption Clause for Charter Parties will soon become the standard provision agreed, as and when needed, during fixing negotiations. **SN**

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



# Flip-flopping of crude oil prices

Andrew Lansdale examines the highs and lows of commodity levels



Andrew  
Lansdale

Commodity prices have always had an influence on shipping markets. When demand slows down, prices ease. When they have dipped to their lowest, it seems madness not to take advantage of such prices and stock up. In the last quarter this ebb and flow of demand has affected markets in different ways.

Crude oil prices went down and down. Saudi Arabia and Russia did not turn the taps down at all; any reduction of output would have reversed this fall in prices. But both countries had decided to press on with their strategies, driving prices down and even producing at below break-even levels.

The obvious reason was to drive countries such as the US and Canada into halting shale oil production. This would turn North America from net oil exporter back to oil importer.

In the last quarter, many investors such as hedge funds predicted that oil prices would continue falling down towards the low \$20s per barrel. And such was the obduracy of China and Russia that many followed these predictions and took short positions in oil. But stock markets are governed more by algorithmic reactions where a combination of price changes triggers computers to a reactionary reversal of share movements. It's called ephemeral data input.

It drove crude oil prices upwards again. Investors tried to regain the upper hand and reverse their short positions. This drove oil prices even further up. By the last quarter they had risen more than 50% from the \$27 per barrel Brent from the beginning of the year. And the main consumers are increasing consumption. The International Energy Agency correctly forecast a 1.5m barrels per

day surplus in the first half of this year, predicting that this would dwindle to 200,000 bpd by the end of this year. And this is despite an agreement between OPEC and Russia to attempt to freeze production levels to those which ruled in January.

But in a setback, Saudi Arabia threw a spanner into the works in April in Doha by insisting that Iran should also peg back to January levels. Since both these countries support opposing warring sides in both Yemen and Syria, one might suspect a political motive. And since then, the Saudis have wound up the pumps again, thus bringing downwards pressure on prices.

So there is plenty of crude oil available at reasonable prices. And although the VLCC fleet is increasing in size, this should not affect rates which, for a voyage from the Middle East to the Far East is currently attracting a daily rate of more than \$50,000 per day. Suezmaxes, LRs and MRs are also trading at reasonable rates.

The gas market is one that was looking positive the last time we looked. But now the US oil company Chevron is causing concern. Its plant in Angola in which it has a 36% stake has still not started exporting. It was shut down in April 2014 because of a serious leak.

It was due to start exports in 2015, then the first quarter of this year, but we are still waiting.

Then earlier this year, the Gorgon field in Australia was similarly shutdown due to operational difficulties. This facility was also headed up by Chevron. Many ships were banking on both of these LNG plants, and with a breakeven in excess of \$60,000 per day, current spot rates of \$30,000 fall well short of the grade.

Tanker earnings such as this must seem to be a distant and impossible dream for dry bulk owners. Ever since the decision was made by the Chinese government to change from a manufacturing, investment and export market to one based on consumption and services, commodity prices have been on a downward spiral.

These hit rock bottom at the end of last year, especially in terms of iron ore. But since then there has been a rally and Australian ore broke the \$60 per tonne level in the last quarter. This was caused by an increase in steel demand ahead of the start of China's construction season, which usually starts in the summer months. This was enough to bring commodity stocks such as Glencore, BHP Billiton and Anglo-American to trade at much higher levels.

This increase in demand for iron ore wasn't enough to return capesizes to significant profitability though; there are just too many ships. And this has filtered down through to the smaller sizes, although some smaller volume commodities such as copper and aluminium ingredients are on the rise. Freight rates have not been helped by the reduction in coal cargoes. This trade is showing the first fall in cargo volumes for more than 30 years. **SN**

There are a few green shoots appearing for bulk carriers



Credit Star Bulk

## Boxed up



Container ships are suffering the same glut of newbuildings as the dry bulk sector. One of the large boxship companies had 20 very large container ships of about 19,200 teu on order. Four of these have been delivered, but of these, the second two have proceeded into layup. They join two post-panamax vessels, also at anchor in the same location.

Last month, the main carriers tried to introduce a much-increased freight level for boxes from the Far East to Europe and the Med. There is little sign that these demands are having much success. After all, shippers can count the number of surplus ships on the water as well as anyone.

Although the Chinese economy is still under some strain, Japan is under even more. Some are predicting a financial collapse. The Japanese Yen is extremely strong, making profitable exports very difficult to accomplish. This does not help Far East exports, nor give much assistance to shipowners. The increase in the average size of container ship deployed on the Far East to Europe run is compounding things. As these ultra-large container ships are increasingly introduced into this trade, the average size in the last year has increased from 12,000 teu to 14,000 teu.

But the expected economies of scale usually experienced by container ship owners are not so apparent today. Port charges and Suez costs are higher for larger ships and bunker charges are also higher. And increased running costs are not covered by lower cargo volumes when running at far below full capacity.

Another continuing headache concerns a shipping term of which few have heard. It is a relative of the tonne/mile formula used in the wet and dry trades. It is 'headhaul teu-miles'. The concern is that the miles travelled per ship on its main laden passage multiplied by its teu capacity exceeds demand. This is an element of the industry overcapacity. We have already discussed two of four 19,200-teu ships being shunted into layup. And there are more than 60 vessels with a container capacity of 15,000 teu and upwards already deployed. Surely more must choose to stay at anchor somewhere?

## Keeping dry



It's not all doom and gloom for dry bulk carriers; there are a few green shoots appearing. Owners have realised that drastic action must be taken. More than 200 bulk carriers have been sent for scrap so far this year, reducing the fleet size by about 4%. This has seen a solid increase in the Baltic Dry Index (BDI), despite lower commodity imports from both China and India. But it is not nearly enough. Many ships are trading at 40% below operating costs. The sale and purchase market for bulk carriers has shown more signs of activity but asset values are still on the slide.

On the newbuilding side, 34 new orders were placed this year. Of these, 30 were for 400,000 dwt Valemaxes. Chinese owners, whose government first permitted these so-called Valemax bulk carriers to enter its ports about a year ago, have jumped on the bandwagon. There are now 65 of these monsters on the move; 34 of which have been delivered and 31 are under construction. Their very existence does nothing at all to support capesize rate levels.

The other four bulk carriers ordered this year amounted to some 300,000 dwt, so much smaller than Valemaxes and capesize vessels. The orderbook at the beginning of this year was about 105m tonnes dwt. By the middle of this year about 12.3m dwt had been added, but some 16m dwt had been delivered. This would have left about 101m dwt. But there had been many cancellations so that the orderbook now is very much the same size as in January.

That said, the impending deliveries are still causing some anxiety within the dry bulk sector. The feeling is that despite some ups and downs, things will not change very much and any profits would be hard won.

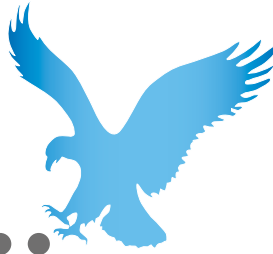
**“Although the VLCC fleet is increasing in size, this should not affect rates which, for a voyage from the Middle East to the Far East is currently attracting a daily rate of more than \$50,000 per day”**



Higher Suez Canal fees are affecting the promised economies of scale of larger ships

Credit: J G Morard

# Legal Eagles...



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

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



Guy Main



Do you know who you're contracting with?



The case of *Navig8 Inc v South Vigour Shipping Inc et al* [2015] EWHC 32 (Comm) underlines the importance of careful drafting

when describing parties to a charter party. In this case, the registered owners withdrew ships under charter to Navig8 but the manager who fixed the charters was held liable on the basis it did not have authority from the registered owners to conclude the charters. This case is an important reminder that the authority given to brokers and intermediaries to act on a principal's behalf must be expressly provided and the parameters of such authority made absolutely clear.

Navig8 agreed to charter four vessels and believed they were contracting with the registered owners. The vessels were in fact on long term demise charters but the particular facts meant Navig8 were only interested in contracting with the registered owners as the demise charterers were in financial difficulties.

The charter parties were fixed by Star Maritime Management Co (SMMC) as agent purportedly to the registered owners. SMMC was also the commercial manager of the vessels, appointed by the demise charterers.

The following clause was included in each charter:

*"Disponent Owners Signatory in Contract:  
Star Maritime Management Company Pte, Ltd."*

With more than a year to run on the charter parties, the registered owners withdrew the vessels from service on the basis that they were not parties to the contracts. Navig8's resulting damages claim amounted to \$10.9m.

### A QUESTION OF FACT

Navig8 contended that it, as well as its brokers and SMMC, intended the charters to be fixed with the registered owners. Navig8 understood that SMMC had the power and authority to fix the charter parties on the registered owners' behalf, and that SMMC was the disponent owner in the sense of being the manager of the vessels.

The registered owners denied that they were parties to the charter parties and argued that, even if they were, they had not given SMMC authority to act on their behalf.

Throughout the negotiations SMMC told Navig8's brokers that the registered owners were being kept informed of developments. Therefore, as far as Navig8 were concerned, there was a clear commercial understanding between the parties. If the

registered owners committed any breach of charter, Navig8 expected them to be liable in the usual way.

Mr Justice Teare, however, did not share that view and his decision should be of interest to any broker or intermediary.

The Court, in deciding whether the registered owners were bound by the charter parties, held that it was a question of fact when looking at the evidence. Usually, the phrase "disponent owner" refers to a charterer of the vessel from the registered owner. However, the phrase can also be interpreted, albeit rarely and unusually, to refer to a manager of a vessel,

particularly where the manager has very wide powers. This case was only the second example of such an interpretation since 1949, the other being *O/Y Wasa Steamship v Newspaper Pulp & Wood Export*, [1949] 82 LLR 936.

The Court decided that the parties could not have intended that the phrase "disponent owner" be used in its usual sense as that would have meant they intended the demise charterers to be liable and it was clear on the facts that none of them did. Therefore, the charter parties had to be interpreted as having been executed by SMMC on behalf of the registered owners.

However, it could not be proved that the registered owners had authorised SMMC to fix the charters on their behalf. The authority alleged to have been given to SMMC in a meeting in September 2011 was not recorded in writing. Neither could it be proven that any subsequent authority was given. Navig8 was therefore unsuccessful in its claim against the registered owners. Instead, SMMC was liable to Navig8 for breach of warranty of authority on the basis that where an agent, by words or conduct, represents that he has actual authority to act on behalf of a principal, and a third party is induced by such representation to act in a manner in which he would not have acted if that representation had not been made, the agent is deemed to warrant that the representation is true. The agent is then liable for any loss caused to such third party by a breach of that implied warranty, even if he acted in good faith, under a mistaken belief that he had such authority.

This case is therefore a stark warning for agents and brokers who may find themselves liable under contracts ostensibly agreed on behalf of their principals, but where the extent of their authority is not absolutely clear and unequivocal. **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.*



Are there unusual laws, relevant to shipping and trade, in force in England today?



There is always a reason why laws are passed. Some laws may not today seem to have any sensible purpose, but at the time of their enactment there would have been a reason for them to be passed, even if this was not straightforward.

For example, it seems that a Welshman may not enter the City of Chester before the sun rises, and must leave before the sun sets. That same Welshman could legally be shot on a Sunday: provided it is after midnight and with a crossbow.

Apparently it is illegal to enter the House of Parliament in a suit of armour, and having entered in appropriate dress, one cannot die on the premises.

Given the importance of English Law and that England is a leading centre for the resolution of maritime, insurance and commercial disputes, surely it does not have any unusual laws regularly in use? A few that have caused particular comment by various parties over the years include the following.

### WARRANTIES IN ENGLISH INSURANCE LAW

As the law currently stands, a breach of a warranty in a contract of insurance would allow an underwriter to avoid the entire policy, even if the warranty has nothing to do with the claim. By way of example, if a contract of insurance includes a warranty that the fire alarm will be in good working order and it is not, the underwriter would be able to avoid the policy in the event of a claim for flood damage.

The underwriter would also be able to avoid the policy if the warranty was breached but subsequently remedied. For example, if the fire alarm was not working in January and February, but repaired in March, an underwriter would be able to avoid the policy in the event of a fire in April.

Insurance law is being changed by the Insurance Act 2015, which comes into force in August 2016. The Act provides that warranties will only apply to the risk the warranty was intended to reduce – so an underwriter could only rely on the fire alarm warranty for claims arising out of fires, but not floods. The Act also allows a breach of warranty to be remedied, putting the underwriter back on risk.

### DEFENCES UNDER THE HAGUE RULES

The Hague Rules were drafted in the 1920s. As a result it is no surprise that they include defences relevant to that time. Two Hague Rules defences in particular are often discussed: the error of navigation defence at Article IV Rule 2 (a), and the fire defence at Article IV Rule 2 (b).

The question is often asked as to why a carrier is given defences to liability in these circumstances. We



can see that there was a strong reason for them 100 years ago, when vessels did not have sophisticated fire-fighting systems, charts may not have been as complete as they are now, and electronic navigation systems did not exist. Some argue that the need for these defences is less clear now, although they remain in place as part of the Hague Rules. The more recent Hamburg Rules do not expressly contain either defence.

### DISCLOSURE UNDER ENGLISH PROCEDURAL LAW

The English Civil Procedure Rules, following a similar requirement in operation for many years, require a party to litigation to disclose documents (including electronic records) relevant to the case and which both support and harm its case. The requirement for full disclosure is strict, with penalties for not complying. This concept can be surprising to those not used to litigating in England and more familiar with various other jurisdictions, where disclosure may be more selective. The aim of full disclosure is, of course, to establish the facts in the interest of justice.

The development of legal principles through English common law and international conventions has left English law with a few unusual situations, at least, when viewed in the light of early twenty-first century customs. We should be interested to hear of other examples of unexpected shipping laws from around the world. [SN](#)

*While every care has been taken to ensure the accuracy of this information at the time of publication, the information is intended as guidance only. It should not be considered as legal advice. The articles were written by Sally Buckley, Matthew Wilmshurst and Guy Main. Research was carried out by trainee solicitor Luke Fittis. Sally is a senior associate, Matthew an associate, Guy a senior manager (partner equivalent). All work in the shipping group in HFW's London office. Guy is also a Fellow of the Institute and, before joining HFW, he spent 18 years as a shipbroker.*

## Sri Lanka Branch celebrates exam successes

The Sri Lanka Branch hosted its flagship event, the 22nd Annual Award Ceremony, on February 19 at the Cinnamon Lakeside Hotel, Colombo to congratulate successful students.

Chief guest at the event was Karu Jayasuriya, speaker of the Sri Lanka Parliament, while the guest of honour was Arjuna Ranatunge, minister of ports, shipping and aviation. Eran Wickremaratne, deputy minister of state enterprises and entrepreneurship, delivered the keynote address.

In his speech, Mr Wickremaratne emphasised that educating and training staff represents investment in people. He quoted the anecdote: A financial director asks the human resources director, 'what happens if we train our staff and they leave?' and the human resources director replies, 'what happens if we don't and they stay?'.

"The truth is, with all else being equal, people are much more likely to stay with a company that invests in them," he said.

Close to 250 people attended the event, including successful students and their families, representatives of the shipping community and members of the local branch. This demonstrated the continuing success of the Sri Lanka Branch as a leader in promoting high standards of professionalism in the local maritime industry.

The speakers were full of praise for the undoubted hard work put in by the award-winning students completing their



Dignitaries gather to congratulate students

Foundation Diplomas, Advance Diplomas and Professional Qualifying Examinations.

The Sri Lanka students who scored the highest marks in individual subjects were also congratulated in addition to awarding certificates and medals to 14 Foundation Diploma and Advanced Diploma students.

The award ceremony was preceded by cocktails while Chandana Wickremsinghe dance studio performed a colourful display of traditional Sri Lankan dancing. **SN**

## Career expo attracts over 1,000 students

The Institute's South Africa Branch took part in the EMC Trade and Expo Career Expo this year, which ran from February 24-26 at the Durban Exhibition Centre.

The target audience included entrepreneurs, school leavers, Grade 10-12 students, graduates, teachers and academics. More than 1,000 students from 14 high schools

were bussed in to learn more about what the maritime sector has to offer.

The Branch would like to extend its gratitude to all of the members who assisted at the Institute exhibition stand, including Silindile Mdlalose MICS, Vanessa Sallie MICS, Tanya Henry MICS, Yugen Reddy MICS and Eddy Neilson FICS. **SN**

## Targeting high school learners in South Africa

South Africa Branch manned an Institute stand at Danville Park Girls High School careers evening on the March 15. Northwood Boys High School also attended.

Representing the Institute, Tyron Koen and Dean Fraser promoted the shipping industry as a whole and offered the opportunity of studying through the Institute as a potential vocation and eventual career. **SN**

## Breakbulk Africa donates exhibition stand

Breakbulk Africa generously donated a stand to the Institute for the third consecutive year.

The event took place from April 6-7, and was well attended despite the gloom in many quarters on the current market conditions. The general view among attendees was that trading conditions would start to improve towards the end of the year.

There was an encouraging number of visitors to the Institute stand, who expressed interest in the full range of courses, from Understanding Shipping up to PQE. There was evident realisation that despite the market downturn, there was a need to acquire the right skills.

A welcome visitor was Fulvio Carlini FICS, who travelled all the way from Genoa, Italy to attend the event. **SN**



Breakbulk Africa attendees are hopeful for better trading conditions next year

## Middle East Branch hosts box weighing discussion

In the wake of the new regulations approved and implemented by the International Maritime Organization into its SOLAS Convention for the appropriate declaration of container weight, the Institute's Middle East Branch hosted a discussion event at the Ramada Bur Dubai, featuring key speakers from various disciplines of the shipping industry.

Speakers included Neil Watson, chief operating officer at Abu Dhabi Terminals; Richard James, terminal manager at Sharjah Container Terminals; Sumesh Nair, commercial director at Globelink West Star Shipping; Kathiravan Kanna, head of operations UAE, Oman and Qatar, Safmarine; and Suresh Krishnamurthy, deputy managing director at Copa Shipping.

The discussions were moderated by Thomas Gregory, executive director of FUSION Shipping & Logistics and Middle East Branch's committee treasurer, and brought forth multifaceted and integrating views from stakeholders on whom the new convention has a direct and indirect impact.

At the outset, panellists expressed their initial views on the Convention, which was further elaborated in the subsequent round, and eventually led to a Q&A session with the audience from various disciplines of shipping.

Some of the key views expressed included the SOLAS definition of the weight declaration and potential delays which could arise owing to the weighing procedures leading to



The speakers discussed the challenges of meeting the SOLAS amendments

supply chain bottlenecks and the assumption of responsibilities in the event of an unfortunate incident triggered by weight imbalance, among more.

The session concluded that, with time running out before this comes into force on July 1, 2016, a lack of clear guidelines from the UAE government on the competent authority coupled with the integration of roles and responsibilities from the stakeholders could bring to bear a complex situation.

A wide spectrum of supply chain and shipping professionals attended the event, which uncovered the need for a further discussion to better cope with the practical impediments that could arise out of this new regulation, along with the executional issues owing to ambiguity between the competent authority and shipping practitioners. **SN**

## CQR Johannesburg employee scores top marks

CQR Johannesburg employee Shirley Ntsoane has been presented with an award for her efforts in the Institute's Understanding Shipping Course.

Miss Ntsoane was first encouraged to study for the Understanding Shipping Course by management at Alpha Shipping, where she worked as a receptionist.

The course imparts a basic shipping knowledge, and is ideal for new entrants to the shipping industry and to anyone in other professions who have close associations with shipping. It comprises of nine modules with written assignments, culminating in an oral and short written exam.

"From the start, Shirley excelled, scoring high marks, and finally achieving an average pass mark of over 80%," said Alpha Shipping's director Richard Brook-Hart FICS.

He added: "We have now promoted Shirley to the position of internal sales manager, where she continues to develop her passion for shipping, while retaining the humility of her origins."

Alpha Shipping flew Miss Ntsoane to Durban to receive her certificate from the president of the Institute of Chartered Shipbrokers, Bruce Ogilivie FICS. **SN**

## Celebrating Singapore's shipbroking community

Singapore's shipbroking community came out in force to enjoy the annual prize-giving and cocktail reception of the local branch of the Institute.

Branch chairman Punit Oza opened the event before handing over to the night's guest of honour, industry veteran Khalid Hashim of Precious Shipping, who provided useful insights into the current state of the dry bulk sector.

Those who had excelled in the 2015 professional qualifying examinations collected their awards on the night.

Prize-winners included Seow Weilong of Singapore Shipping Agencies; Captain Jagadeesan Natarajan of OMC Shipping Pte; Ng Fang Yao of RaetsAsia P&I Services; Sanju Joseph of d'Amico Shipping Singapore; Ng Tow Boon of Vroon Offshore Services; and Michael John Newman of Fearnleys LNG, among others.



Louis Dreyfus Commodities, Braemar ACM Shipbroking, Torvold Klaveness, Swire Pacific Offshore, ITIC, BLPL Singapore, Strait Shipbrokers, Baltic Exchange, Norden, GAC, Pacific International Lines, Jurong Port, Anglo-Eastern, TATA NYK and Eastport Maritime, meanwhile, were among the sponsor companies. **SN**

## South Africa hosts Executive Council meeting

The South Africa Branch hosted the Institute's Executive Council meeting in Durban in February with Institute members travelling from as far away as Vancouver and Hong Kong to attend the two days of workshops prior to the Executive Council meeting itself. The workshops were facilitated by independent business coach Geraldine Stewart.

After two days of debate and brainstorming, a cohesive strategy was set for the immediate year ahead and for the next decade. "This was the best and most productive Executive Council meeting that I have ever attended," said Institute president Bruce Ogilvy FICS.

Current international chairman Michael Taliotis FICS added: "In the short term, there was a unanimous view from all committee



Executive Council praised South Africa's successes



members that the Understanding Shipping Course that has been run so successfully in South Africa, Cyprus and Greece now needed to be urgently upgraded, and rolled out internationally."

The Executive Council members took time out from their busy schedule to join local Branch members and students at a capacity lunch where they were addressed by Mr Taliotis, who spoke about his vision for the future of the Institute.

In his address, the international chairman lauded the South Africa Branch committee for their innovation and progressive thinking over the past twenty years. **SN**

## Institute comes to aid of cadetship alumni search

The Institute has signed a service agreement with The Maritime London Officer Cadet Scholarship (MLOCS) trustees to provide administrative assistance to the trustees.

In particular, the Institute will help to launch an internet driven initiative to bring current and past MLOCS cadets together and, at the same time, introduce them to the opportunities to further their knowledge of the industry through Institute membership.

In order to update its cadetship alumni database, the trustees would like to hear from all past cadets serving at sea or ashore.

Bruce Ogilvy and George Greenwood, president of the Institute and chairman of MLOCS respectively, signed the agreement at a meeting before the Institute's Annual Prize Giving at Trinity House last year.

Mr Greenwood said: "Both organisations are committed to investment in the education of young people to ensure further continuity and expertise, and to foster their links with the city as well as their careers at sea.

"The young people supported by MLOCS and the Institute are exceptional, hard-working and enthusiastic, and we are delighted that a partnership between our two organisations will strengthen the support we each can offer."

At the reception following the ceremony, MLOCS cadet Richard Grad, who recently gained his officer of the watch certificate of competency, spoke about his experiences as a cadet to the international audience.

Mr Grad's MLOCS cadetship was sponsored by the Institute's Educational Trust Fund. "I could not have chosen the career path I did without these two organisations having faith in me," he said. **SN**

## East India-led free online tuition open to all

The Institute's East India Branch offered free web-based tuition through webinar for students sitting exams in April. This is the second time that the Branch has offered teaching through this channel. Previously, the Branch taught through a class-based session which had many limitations.

The webinars encourage active learning through authentic real live assignments and allow for student/faculty contact through e-mail, instant messenger and by phone, encouraging the students to be an active participant and not just a passive listener.

The so-called *Tuition for Free* programme was conducted

through [www.gotomeeting.com](http://www.gotomeeting.com). Virtual classes took place over 12 sessions in March and April.

Eight tutors covered the 12 sessions and a total of 100 students took part in the exercise, some from as far afield as Nigeria.

The team did a great job of incorporating learning exercises with real and live examples and the feedback was extremely positive.

The Branch plans to make its *Tuition for Free* programme a permanent feature in its calendar and open to all students, whether they are a member of the East India Branch or not. **SN**



## Greece students enjoy double ship visits

Although arranging for students to visit working vessels can be a challenge, the Institute's Greece Branch was eager to undertake the task.

A visit for the students was arranged onboard the bulk carrier vessel Elina B and the containership Ovelix at the port of Piraeus.

Students were taken on a tour of the vessels while members of their crew explained their main parts and equipment as well as their relevant functions. There was a tour of the cargo hatches, the bridge, the accommodation and engine room. It was a good insight into the reality of merchant ships in action.

Students were grateful to be given the opportunity to visit a vessel and see first-hand an integral part of commercial shipping which they have been studying in theory in preparation for the Institute's Professional Qualifying Examinations. **SN**



The trip offered first-hand experience of shipping

## Institute signs MoU with Indian Maritime University

A "first class partner in education" for the Institute



The Institute has signed a new Memorandum of Understanding with the Indian Maritime University to promote mutual understanding, and renew a bilateral commitment to academic and educational co-operation.

The MoU was signed by the Institute's Sean Walsh and IMU's vice chancellor K Ashok Vardhan Shetty during the Indian Maritime Summit in April, which was opened and attended by the prime minister of India, Shri Narendra Modi.

Director of the Institute, Julie Lithgow, said: "The Institute is delighted to sign this MoU with a first class partner in education in a country that is committed to expanding its maritime education and skills base.

"The market for potential maritime educational growth in India is enormous, with over 150 maritime sector projects currently committed to be developed by the Indian government. This cooperation among educational leaders will

make a significant and powerful impact on young people in India wanting to build their careers in the shipping sector."

The IMU is the only central university of its kind in India dealing with maritime disciplines exclusively. It was founded by Act of Parliament in 2008 to act as a leader in the development of training and human resources in the Indian maritime sector.

Mr Shetty added that the university was pleased to sign this MoU with the Institute, whose professional qualifications cover the full spectrum of shipping commercial activity, and whose members and fellows occupy executive positions in the maritime industry with high professional standards.

"The MoU will promote academic and educational cooperation and mutual understanding between two educational leaders on a basis of equality and reciprocity," he said. **SN**

## East India Branch launches Topper Awards

The Institute's East India Branch has launched the ICS Topper Awards, to be awarded on the Branch's Annual Day held in November or December each year.

The Topper Awards aim to encourage students through the funding of part of the examination fee for sitting the Professional Qualifying Examinations.

The Branch has agreed an arrangement with Chennai-based Hindustan Institute of Maritime Training whereby HIMT will provide an Award Fund of Rupees 500,000 and the interest generated will be used to fund the Topper Awards

A total of five India-registered students will benefit from the Topper Awards. **SN**

## East Anglia tackles container weighing head on



In an endeavour to provide some clarity on the new verified gross mass (VGM) regulations that come into force on July 1, the Institute's East Anglia Branch hosted a seminar in May in Felixstowe.

The *Why are we weighting?* breakfast seminar, held at the Orwell Hotel, attracted a large attendance of stakeholders, with many travelling from other ports and regions.

An industry panel of experts from BIFA, Maritime Transport, Birketts, MCP, DP World and Hutchison Ports, gave brief presentations on the impact of the SOLAS amendment from their perspective, which was followed by a lively Q & A session, moderated by John Foord FICS, vice-chair of the Branch.

What became clear from the Port of Felixstowe's presentation was that it had completely underestimated the demand for shippers requiring a weighing facility at its port.

Indeed, according to some estimates there could be as many as 8 out of 10 containers arriving by road at UK ports on July 1 that do not have a VGM.

Some of these shippers would be advising the VGM after the box had been delivered, but others would be looking for the port to weigh the container and provide a VGM.

"We didn't think that demand would be that great," said Martin Wool of Hutchison Ports, "but as we have got closer to the implementation date it has become apparent that the demand at least initially will be high."

The port is offering a weighing facility to shippers at two designated stations, situated at opposite ends of the terminal complex, before gate-in. Felixstowe shippers that fail to supply a VGM before the vessel cut off time – normally 24hrs before arrival – will incur an additional charge of £77 per container, to cover the cost of pulling the box out of the stack and shunting it to and from the weighing station in order to obtain a VGM.

Paul Newman, the East Anglia representative for BIFA was highly critical of the slow response to the SOLAS regulations by some ports.

He said that his organisation had been "banging on about this for nearly two years, and here we are just weeks before kick-off and we are still waiting to see how it is going to work".

Maritime Transport's Andrew McNab said that his industry already faced a lot of challenges, and "grey areas" around providing a VGM would make "a difficult job harder".

However, he praised DP World at Southampton and London Gateway for being the first ports in the UK to offer a "seamless" operation for hauliers given that all containers delivered will automatically be weighed. **SN**

## Initiatives in promoting maritime arbitration

In days gone by, shipbrokers at The Baltic Exchange would seek out a senior member to resolve any disputes arising from fixtures or charter parties in an informal manner. From such practices developed London Maritime Arbitration, showing the clear linkage between shipbrokers and arbitration.

Knowledge of law and the practice of maritime arbitration can be greatly beneficial to shipping practitioners in their daily operation and the Hong Kong Branch is looking to promote that learning.

The Branch has quite a number of senior members practicing in maritime arbitration and plans to invite them to be listed on a panel of maritime arbitrators on the Branch's website.

In order to generate member interest, the Branch will encourage them to attend arbitration courses and will put those achieving qualifications in arbitration on a second list. It is hoped that through such an initiative the Branch will demonstrate to the industry the high quality of Branch members engaged in arbitration. **SN**



## AMET signs professional learning MoU

The Institute has signed a Memorandum of Understanding with AMET University in India to develop and expand professional learning in shipping.

The MoU was signed by Sean Walsh, deputy director of the Institute, and Col Dr G Thiruvassagam, vice chancellor, AMET University.

The Academy of Maritime Education and Training (AMET) was established as a private maritime academy by Dr J Ramachandran with an enrolment of just 14 cadets in 1993 and is now India's first University dedicated to maritime education.

The Institute has continued to expand its international links

and resource base to meet growing demand for its examination programme.

Chairman of the East India Branch, Capt K P Rajagopal said: "The Institute is delighted to sign this MoU with AMET, with whom the Institute had a long relationship in the past with AMET representing the Institute as a Distance Learning Centre. AMET has proved to be a first class partner in education and is committed to expanding its maritime education and skills base.

"The Institute believes that this co-operation among educational leaders will make significant and powerful impact on young people in India wanting to build their careers." **SN**

## Hong Kong supports educational initiative

The Hong Kong Branch has been invited to support the initiatives of Hang Seng Management College of Hong Kong in a wide-ranging research project.

The project involves the organising of seminars and workshops, compiling case studies in maritime, aviation

and logistics law, developing an on-line teaching and learning platform, and producing a case reference handbook.

A Letter of Collaboration from the Branch was issued to the College in February 2016. **SN**

## Wear with pride

Hong Kong Branch has designed and created badge-pins for members in gold for Fellows and Silver for Members.

A t-shirt, polo shirt and cap have also been made available free of charge.

The Branch hopes that the membership products will foster a sense of belonging to the Branch and to the Institute. **SN**

**The new badge-pins are available to Members and Fellows**



## Southern China promotion through NSIAC link

Following the inauguration ceremony of the China Guangzhou Arbitration Court of International Shipping arranged by China Nansha International Arbitration Centre (NSIAC) in Nansha last November, YK Chan, Hong Kong Branch chairman, was invited by NSIAC to give a presentation on the Overview of Shipping Business to an audience of about 50 shipping practitioners, lawyers, academics and a retired judge.

Colin Y.F. Yang, managing and senior partner of Yang & Lin Co. law firm, Guangzhou was the moderator.

The Branch plans to establish closer ties with NSIAC in the future to develop an Institute training programme in Southern China. [SN](#)



Hong Kong Branch chairman YK Chan has fostered strong links with NSIAC



## Hong Kong bolsters member benefits

The Hong Kong Branch is always on the lookout for additional benefits for its members.

Most recently, it has secured special discounts for members on a Senior Executive Programme Course on Recent Developments in Shipping Law, organised by the Faculty of Law at the University of Hong Kong. The course was held in January.

Approval for the course was granted by the Hong Kong Maritime Industry Council under its Maritime and Aviation Training Fund refund scheme.

The Branch has also secured a special rate for members at the Hong Kong Maritime Museum which partnered with Swire Travel for a Xiamen Cultural and Maritime Excursion over the Easter holidays. [SN](#)

## Presentation of certificates

The Hong Kong Branch organised a gathering at the Hong Kong Maritime Museum in March, where it presented membership certificates to newly-elected members.

Fulvio Carlini FICS, chairman of Chartering and Documentary Committee of FONASBA, joined the function and met the members and guests.

Hopes are for an opportunity for the Branch to co-operate with FONASBA in future. [SN](#)



## Taking the Institute to the Philippines

The Hong Kong Branch has assisted the Institute Head Office to reach a Memorandum of Understanding with

Magsaysay Learning Resources Inc, Manila in order to develop the Institute's programme in the Philippines. [SN](#)

## Students' view

The Institute holds PREP revision sessions through its branches around the world to ready students for their examinations, whether in the April or November sitting. Here, two students talk about their experiences of the year's South Africa PREP.

### Sharing experiences

February 26, 2016 marked the start for the 2016 South Africa Institute of Chartered Shipbrokers PREP Weekend, writes student Marius Roesener.

Adequately prepared, or so we thought, we eagerly awaited our first lecture. Our lectures entailed very informative sessions prepared by the tutors, covering the important aspects about the subject and very vital exam tips. For some of us, these lectures also served as a complementary wake-up call.

The attending students, who came from all walks of the shipping industry spanning South Africa to Zimbabwe, got to contribute their work experience to subject relevant topics. This made the understanding of topics easier and the content more insightful. Along with the valuable input and knowledge of the tutors, these lectures and the PREP weekend was a must to attend.

All topped up, it was time to knuckle down and study for the April exams. Thank you to the Institute team for this worthwhile weekend. **SN**

### Unlocking potential

Away from the hustle and bustle, Glengarry housed the Institute family for the annual PREP Weekend, writes Natasha Moloi, student.

We arrived with so much promise and eagerness to learn on the first day. Once we were all settled in, we hit the ground running with lectures; this trip wasn't child's play.

Over the weekend we went through past examination papers, and discussed exam trends, current shipping news and geography. The lectures were very informative, and being around other students made it fun to discuss and hear other views as well as how they would have answered a question.

These types of PREP weekends don't just give you text book information but the chance for one to learn a lot from peers and tutors.

The Institute's PREP was amazing to attend. Being part of it unlocked so much potential in myself, and I would definitely recommend every student to attend. **SN**



## International involvement in South Africa PREP

YK Chan, Hong Kong Branch chairman, is always keen to support Institute PREPs when opportunities arise.

At the Executive Council meeting in Durban, YK stayed behind to team up with Peter Lam of Norton Rose Fulbright

to tutor the session of 'Legal principles in shipping business' for the South Africa PREP in February. YK also gave a presentation on "Risk and legal matters relating to Bills of Lading" to students. **SN**

## Cyprus PREP a success

Cyprus Branch is pleased to announce that the review sessions carried out in March were a great success.

The sessions gave students the opportunity to ask questions and also interact with their peers and fellow students. These revision sessions are particularly beneficial because they give students a chance to better prepare for their examinations and allay their fears.

Feedback from the students was positive and the participation rate was especially pleasing, as can be seen from the photos, taken during the Shipping Business review. **SN**





# Transform a life with Sailors' Society

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

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

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

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

To join us on our journey, contact Jenny at [jbilan@seafarers-society.org](mailto:jbilan@seafarers-society.org) or on +44 (0)12380 515 950 to find out what you can do today.

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# Calendar

The Twelve Apostles, Victoria, Australia

## JULY EVENTS

### July

East India Branch  
East India Branch AGM

### 7 July

Germany Branch  
Networking evening  
Hamburg

### 21 July

South Africa Branch  
Cocktail Evening

## AUGUST EVENTS

### 1 August

2016-17 Academic Year  
commences

### 4 August

April exam results  
announced

### 4 August

London result day drinks  
London

### 4 August

South Africa Branch  
South Africa Branch AGM  
and luncheon

### 11 August

Australia and New  
Zealand Branch AGM  
Melbourne

### 12 August

Australia and New  
Zealand Branch  
Cocktail Party on SV Polly  
Woodside (TBC)  
Melbourne

### 26 August

Singapore Branch  
Seminar "Customer  
Credit, Why and How?"  
Singapore

## SEPTEMBER EVENTS

### 15 September

South Africa Branch  
Annual Prize Giving  
Banquet

### September

Germany Branch  
Lecture evening  
Hamburg

### September

East India Branch  
Maritime Finance  
Conference

### September

Cyprus Branch  
Members networking  
event  
Limassol

### September

London Branch  
Spring Seminar  
London

### 30 September

Ireland Branch  
Annual Golf Event  
Waterford

### 30 September

Ireland Branch  
Ireland Branch Annual  
Dinner  
Waterford

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# The Secret Broker

## Sirens or Harpies?

Like so many back from the CMA Shipping conference in the US, I've come to the realisation that the saying 'art imitates life' fits the current shipping industry very well indeed. Many delegates reflected on my musings from the last *Shipping Network Secret Broker* column, where I drew analogies between the current shipping market and the film 'The big short'. The similarities between the dry bulk market and the tumbling house of cards sub-prime issue covered so aptly in the film is so obvious it's frightening. Yet the silliness in the dry bulk sector continues, like a pass the parcel to be moved around the circle.

Perhaps in the light of the revelations of law firm's Mossack Fonseca leaked papers the Admiral's Bicorn hat presented annually to the new CMA Commodore should be replaced with a Panama. Interestingly, it is almost always worn by the Commodore in the Napoleonic style, very imperial. If our industry had not been quite so efficient in utilising both legal and offshore tax arrangements over the past 50 years I expect we would have already seen some well-known names mentioned in the leaked papers debacle. Still, it's early days and I'm sure a few individuals will have used the creativity of Mossack Fonseca, or someone similar, for their own reasons.

Last year's CMA Commodore was jokingly mocked by this year's as one of the main culprits in encouraging naïve investment funds into shipping and thereby causing over supply while the new Commodore was "good naturedly" ribbed for not being sufficiently devious in his dealings.

Have I missed something or are too many people still fiddling while Rome burns? Recently, a prominent bulk carrier owner was recently reported trying to create confidence by suggesting that with a continued programme of scrapping accompanied by more slippage in newbuilding orders the dry cargo market will approach equilibrium much sooner

than everyone anticipates. This thinking does not hold water: didn't I just see a 90% completed Valemax sold at auction for \$16.8m? Newbuilding values have been as high as \$140m for these beauties; now it's \$85m for a newbuild and \$16.8m for a 90% complete ship. And now the Chinese are ordering 30 more Valemaxes to carry iron ore from Brazil, yet ore demand continues to fall as recycled steel is used more and more to produce new steel.

### FORTUNE TELLING

It's quite ironic that earlier this year the ever popular Clay Maitland made some humorous predictions for 2016 which may be truer than he thought. A couple of these are worth recounting: the number of shipping executives made redundant or sacked due to bankruptcies increases to the point that there are no benches available in public parks anywhere for them to rest their heads; and the Baltic Exchange is sold to anonymous Russian-based investors and relocated to Kaliningrad, headed up by President Putin's daughter. Maitland continued, when asked about this, President Putin's daughter kindly suggests they "try Singapore" along with the other shipping casualties already mentioned. Be warned, truth can be stranger than fiction.

Another CMA Shipping panel espoused the remarkable insight that the availability of 'silly money' in the form of excess capital since 2011 has contributed to the massive disequilibrium we are seeing in shipping. We have an immense oversupply of tonnage based on far too many new ships being ordered because the money was there.

Perhaps the only way out of all this is to go virtual. Let's get all these 'super investors' lined up to order cargo ships based on the specifications of the *Zumwalt* stealth battleship. In this reality, none of the ships could be traced and they can be fixed on dream charters based on fictitious employment worldwide utilising FFA techniques with notional positive percentage points above BDI indices. When the men in white coats arrive everyone will be smiling and laughing hysterically. It seems art can imitate life. **SN**





# the stern

## OFFICER SHORTFALL STILL DOGGEDLY LOOMING ON THE HORIZON

We've heard it before and no doubt we'll hear it again but that doesn't make BIMCO and the International Chamber of Shipping's predicted 147,500 officers shortfall by 2025 any less worrying.

The duo's latest *Manpower Report* – a five-yearly publication – identifies a current shortfall of about 16,500 officers and the need for an additional 147,500 officers by 2025 to service the world merchant fleet.

While the global supply of officers is forecast to increase steadily, the rise will be overshadowed by increasing demand. Some officer categories will fare worse than others if steps aren't taken to improve supply, particularly engineer officers at management level and officers needed for specialised ships such as chemical, LNG and LPG carriers.

Since the last report was published in 2011, the industry seems to have

made progress, improving recruitment and training levels and retaining more seafarers for longer. But more needs to be done to address not only the current officer shortfall, but also the predicted gap.

Ratings are less of a problem as there's a current surplus of 119,000 with China, the Philippines and Russia supplying the lion's share to the world fleet.

"Without continuing efforts to promote careers at sea and improve levels of recruitment and retention, the report suggests it cannot be guaranteed that there will be an abundant supply of seafarers in the future," said International Chamber of Shipping secretary general, Peter Hinchliffe.

But will the industry be up for the challenge, particularly when business seems anything but robust for so many at the moment? We'll find out in another five years' time. **SN**

## THROUGH THE LENS – RUNNING OUT OF SUPERLATIVES

Robotic bartenders, water slides, a casino and climbing walls... no you haven't arrived at an odd Las Vegas/Centre Parcs hybrid; these are just a handful of the weird and wonderful features on board the world's largest cruise ship which made its inaugural voyage last month.

*Harmony of the Seas* made its debut call in the UK in May, arriving in Southampton to set sail for a four-night taster voyage to Rotterdam, before making its official maiden voyage to Barcelona where it will be based for 34 seven-night tours of the western Mediterranean this summer. It will then set off for the warmer US Gulf and Caribbean waters in the winter.

At 362m, *Harmony of the Seas* soars above the Eiffel Tower and London's The Shard. It cost nearly €1bn over two years to build and will be able to carry up to 6,780 passengers in 2,747 staterooms over 18 decks. STX France built the 226,963 gt beast for Royal Caribbean International at its yard in Saint-Nazaire, France.

With a crew of 2,100 from 77 countries, this floating city boasts seven 'neighbourhoods', 23 swimming pools, 20 dining venues, 52 trees, surf simulators as well as bionic bartenders that can take orders via iPads and mix cocktails for the mere mortal passengers. And the water slides aren't just any slides, *Harmony of the Seas* counts the aptly-named Ultimate Abyss slide among its ten water slides: at 10 storeys high it is the tallest slide at sea.

Thankfully, one of the 'neighbourhoods' is a spa and fitness centre which you will surely need after the onslaught of the senses that is the *Harmony of the Seas*. **SN**



Credit: Royal Caribbean

## SHIPPING SPEAK

“It is the **first time** you see people in shipping being **really scared**”

*Basil Karatzas, of New York-based Karatzas Marine Advisors and Co, commenting on double-digit drops in throughput at the Port of Hong Kong*

“We're at [an oil] price level that **some will see as attractive** with a bit longer perspective... we are **close to something of a bottom**”

*Mads Syversen, chief executive at Oslo-based investment bank Arctic Securities, believes oil prices may be ready to rebound*

# Find your next move

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

## Tug Broker

We are currently looking for a Tug Broker to join a well-established broking house in London. This is an excellent opportunity for an experienced broker to be part of a dedicated, enthusiastic, well qualified experienced team. Candidates will have at least 3 years' tug broking experience in a competitive environment. EU working entitlement is essential in order to be considered for this role.

To apply, please go online:  
[www.jobs.spinnaker-global.com/go/HQ00010124](http://www.jobs.spinnaker-global.com/go/HQ00010124)

## Tanker Broker

An exciting new opportunity has become available in Italy for a well-established & highly respected broking house. Our client is looking for a Tanker Broker with at least 2 years' experience. You must be an active broker, with an established network and good relationships with clients. You will be joining the company's existing team and will need to have worked with on a tanker desk. If you have previous experience working with tankers then this could be a great step for your broking career.

To apply, please go online:  
[www.jobs.spinnaker-global.com/go/HQ00010179](http://www.jobs.spinnaker-global.com/go/HQ00010179)

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

To apply, please go online:  
[www.jobs.spinnaker-global.com/go/HQ00010148](http://www.jobs.spinnaker-global.com/go/HQ00010148)

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Are you a Senior Panamax Broker? Our client, an established and reputable broking house, is looking to appoint an experienced Panamax Broker to join their expanding team in London. Currently, they are looking to add to their team with experienced brokers. Ideally, we are looking to speak to people with good market relationships and a solid track record who are looking to be a part of a growing endeavour. Candidates will have at least 5 years' experience in the Panamax market; have generated their own business and have leadership experience.

To apply, please go online:  
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- Other Related Professionals
- Ship Brokers

ITIC provides help, advice and security from experts when you, or your client, need it most. As the specialist professional indemnity insurer for the transport industry, we offer:

- | Help   | Advice   | Confidence   |
|--|--|--|
| <ul style="list-style-type: none"><li>• Fast response to enquiries</li><li>• Worldwide cover</li></ul> | <ul style="list-style-type: none"><li>• Specialist knowledge</li><li>• Advice on loss prevention</li></ul> | <ul style="list-style-type: none"><li>• Strong financial position</li><li>• More than 80 years underwriting experience</li></ul> |



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BY THOMAS  
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