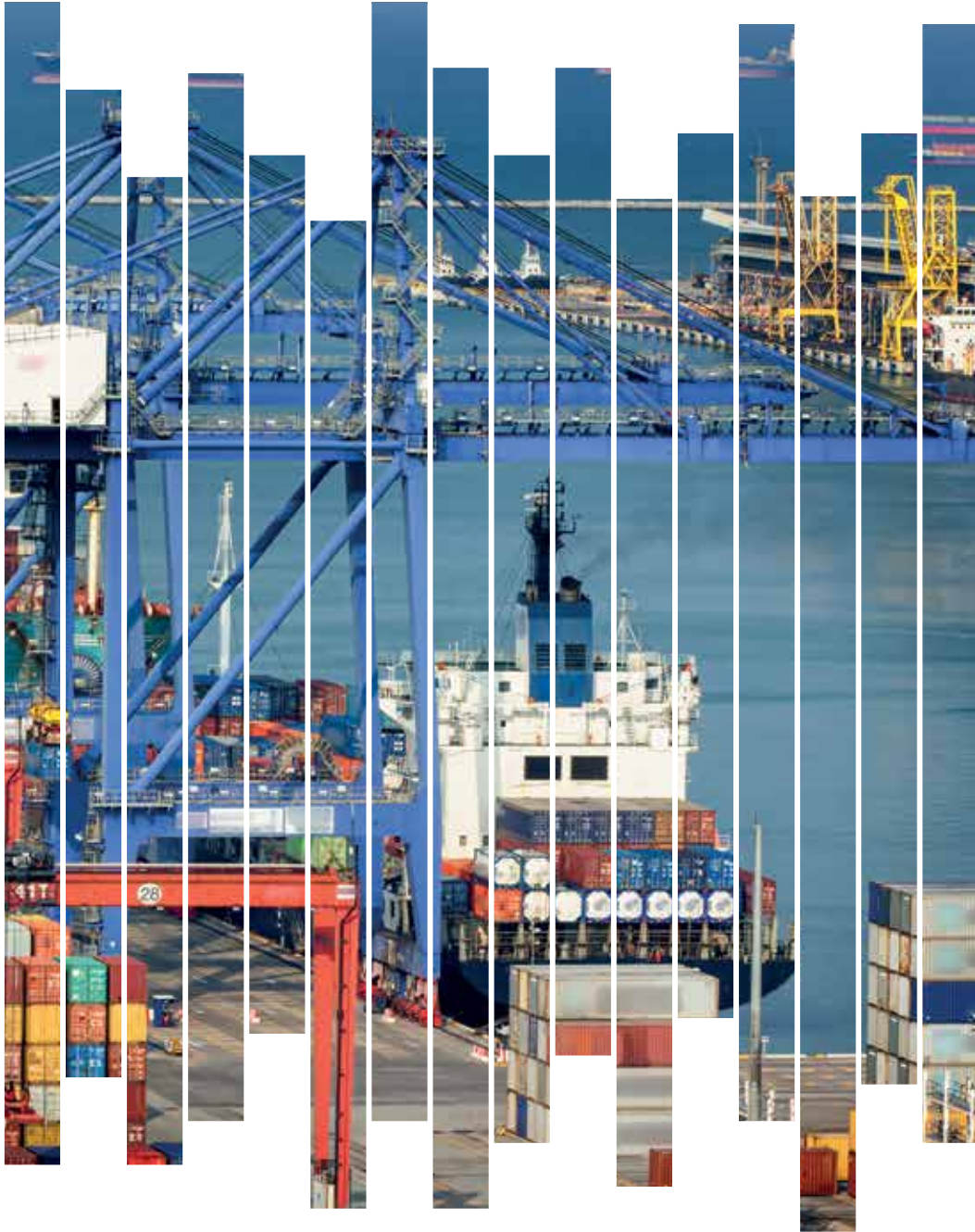


# SEACURUS BULLETIN

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## GLOBAL SHIPPING LOSSES REPORT

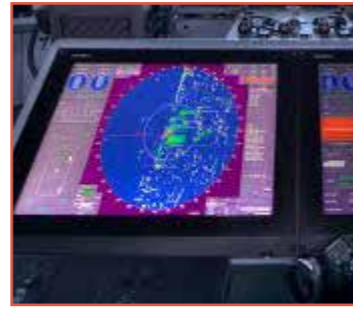
TALKING ABOUT CYBER | THE SEAFARER CONUNDRUM | BUSY TIME FOR PIRACY



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Inside this issue we look at key maritime issues which are likely to shape the industry moving forward. As well as looking at the business challenges for the industry, we also look at operational trials and tribulations too, including cyber security and the challenge of recruiting and retaining seafarers.

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## Welcome

➤ Welcome once again to the Seacurus Monthly bulletin – where we look back on the news and issues which have shaped shipping.

May you live in interesting times, runs the Chinese curse – and it seems that shipping is truly in the midst of a really challenging stretch. Charles Dickens wrote of the best of times and the worst of times, and our industry could well relate to the pages of his novel.

On one hand, it seems that shipping is safer than it has been for decades – a recent review of reported shipping losses of over 100 gross tons, found that although the number of losses in 2015 remained stable – declining by just 3% compared with the previous year's number of 88.

As such 2015 was the safest in shipping for a decade. Losses have declined by 45% since 2006, driven by an increasingly robust safety environment and self-regulation. Which is great news.

However, such the impacts of positives are somewhat lessened by the news that shipping confidence is at an 8 year low. Shipping advisers Moore Stephens has stated that confidence levels fell to a record low in the three months ending February 2016, the lowest rating ever in the survey's eight years of data collection.

Any business is affected by confidence – the swagger that sees investment flow and banks open the vaults to lend. For shipping, this is a key and pivotal issue. So

to hear reports that confidence is waning is particularly worrying.

As an indication of the scale of the problem, the idled global container capacity has reached a record high of 1.57m TEU, according to the latest data from Alphaliner. And one-third of the laid-up tonnage consists of unemployed containerhips of 7,500-19,000 TEU.

The 352 laid-up ships, as of 11 March, account for 7.8% of the global container vessel fleet – a number expected to grow with 1.25m TEU of capacity scheduled for delivery this year. After deductions for vessel scrapping, the new buildings will add a full-year fleet growth of 4.3%. This compares with estimated demand growth of just 1.8%.

So while new builds have been a perennial issues, actually the Global Shippers' Forum (GSF) says that the use of mega ships and alliances remain the main problems. The popular belief is that larger ships and alliances are good for competition because of the benefits they give, but the reality is that there are added costs due to the negative externalities they impose on others.

As well as looking at the business challenges for the industry, inside this issue we also look at operational trials and tribulations too. Despite rumours of the demise of piracy, it seems someone has forgotten to tell the bad guys. While attacks may not be on the scale of a couple of years ago, anyone who thinks the problems

have gone away could be in for a shock.

Last month saw the Connecticut Maritime Association (CMA) conference held in the USA, here a number of key maritime issues were discussed and we look at two of them in this issue. One of the most contentious debates was on cyber security. With new figures showing the scale of the issue, what does the industry think of this potential Achilles heel?

Another was of the challenge of recruiting and retaining seafarers. CMA Shipping 2016 heard just what the shipping industry has to do to keep its people happy, and of the wants and needs of crew. Uppermost in their demands was the call for not just a fair wage, but a guarantee that they will receive their money. With our CrewSEACURE product this is an area we know well, and we are proud to be delivering what the industry needs, financial security for its seafarers. <



Managing Director  
**Capt. Thomas Brown**



# GLOBAL SHIPPING LOSSES REPORT

**Global shipping losses continue their long-term downward trend with 85 total losses reported worldwide in 2015, according to the fourth annual Safety and Shipping Review 2016. This annual look at the state of the industry provides a fascinating overview of what is going wrong and where.**

## SHIPPING LOSSES

The shipping review, which analyses reported shipping losses of over 100 gross tons, found that although the number of losses in 2015 remained stable – declining by just 3% compared with the previous year’s number of 88.

As such it states that 2015 was the safest in shipping for a decade. Losses have declined by 45% since 2006, driven by an increasingly robust safety environment and self-regulation.

Cargo and fishing vessels accounted for more than 60% of ships lost globally, with cargo losses up for the first time in three years. Cargo (36) and fishing vessels (16) accounted for over 60% of ships lost globally, with cargo losses up for the first time in three years.

The most common causes of total losses are foundering (sinking), accounting for almost 75% of losses (63), up 25, and often driven by bad weather.

## DATA WINDOW

There were 2,687 reported shipping incidents (casualties including total losses) globally during 2015, down 4%. More than a quarter of all losses in 2015 occurred in the South China, Indochina, Indonesia and Philippines region (22 ships). Losses increased year-on-year, unlike other major regions. The eastern seaboard of the United States and North American west coast each reported two total losses in 2015.

For the first time in five years, piracy attacks failed to decline in 2015, according to the International Maritime Bureau. South East Asian attacks also rose, accounting for 60% of all incidents; piracy attacks in Vietnam surged year-on-year.

The fact that pirates are taking advantage of cyber security weaknesses to target the theft of specific cargoes is a source of immense concern. The report stresses that the cyber impact cannot be overstated, and it reminds the industry of the need to be able to rely on more traditional methods of navigation – “you can’t hack a sextant”, runs the logic.

## WEATHER EVENTS

With regard to bad weather, it was a factor in three of the five largest vessels lost last year, including the El Faro, one of the worst U.S. commercial maritime disasters in decades. “Superstorms” are a massive cause of unease for insurers.

The fact that storms are causing ships to sink is concerning, the report states, and with more and heavier natural catastrophe events affecting vessels, there is a need for better management to counter the threats. Weather routing will continue to be a critical component to the safe navigation of vessels.”

While the long-term downward trend in shipping losses is encouraging, the continuing weak economic and market conditions, depressed commodity prices and an excess of ships are pressurising costs, raising safety concerns.

One of the negative concerns in the report is the sense that the salvage business may be struggling to cope with the scale of some large casualties. The report gives rise to anxiety as to whether commercial pressures in the salvage business have reduced easy access to the salvors required for recovery work on the scale of an expected eventual US\$1 billion+ total loss scenario.



IMAGE: Danny Cornelissen



## P&I STUDY

The report states the appetite for ever-larger container ships has seen cargo-carrying capacity of the largest vessels increase by 70% over 10 years to more than 19,000 containers. Which can amplify the effect when things go wrong.

Two “mega ships,” the “CSCL Indian Ocean” and “APL Vanda”, have each grounded already this year, raising questions about a more serious incident.

In a separate study, The Swedish Club has identified the most common accidents onboard via ship type. The P&I club has studied thousands of incidents in the last ten years, across a range of vessel segments and claims types.

The Club states that seafarers on containerships need to watch their step, as almost 60% of all slips and falls occur on container vessels – almost certainly due to the amount of debris and the number of people involved in cargo operations, the club noted.

## SHIP TYPES

Meanwhile, the report stressed that those working on bulk carriers must take care to avoid cargo damage, with bulk carriers recording the highest average cargo claims cost and also the most frequent claims over the last ten years.

With the various vetting processes in place, it is perhaps no surprise that tanker claims make up the smallest proportion of cargo claims seen by the club. But those onboard cannot rest on their laurels with around 60% of claims and the same proportion of costs incurred by improper cargo handling and insufficient cleaning.

The report also highlighted both an increase in claim costs and a rise in the number of claims for the most common P&I claims: cargo, illness and injury, over the last ten years. Worryingly, the club has seen a rise in the number of claims for all vessel types. Bulk carriers top the charts, with the greatest increase in the number of claims. This trend is also being seen in the container sector, with both the cost per claim and the number of claims rising. The frequency and cost for tankers is the lowest of the three types.



IMAGE: BBC

## BUSY TIME FOR PIRACY

*Despite rumours of the demise of piracy, it seems someone has forgotten to tell the bad guys. While attacks may not be on the scale of a couple of years ago, anyone who thinks the problems have gone away could be in for a shock.*

### WESTERN WOES

In new figures, 386 counts of maritime crime in were recorded in 2015. 66 per cent of all pirate activity took place in Asia (255 incidents) compared with 16 per cent around the Horn of Africa and 17 per cent on the West African Coast. A flurry of piracy and maritime security activity off West Africa, saw reports emerge of an attack on of a Dubai-owned oil-tanker, the “MT Maximus” and a product tanker “Sampatiki” off Nigeria in the early hours of March 26.

The pirates boarded the ship at 04°20’N 005°10’E, about 35 nautical miles off the coast of Rivers State in the Gulf of Guinea, near Port Harcourt. The vessel made a VHF report to say that she had been boarded by eight armed pirates. The attackers stayed aboard for four hours, then departed with five hostages.

Another attack saw four seafarers, abducted by pirates from the Greek-owned, Panama-flagged tanker “Madonna 1”. Thankfully these were released unharmed in Nigerian territory, the shipping company announced March 30. The three Greek and one Filipino crewmen were seized in early March while the vessel sailing without cargo near the coast of Nigeria.

Amongst other crew members released in Nigeria, a number were from the French oil services company Bourbon Offshore. The company confirmed that two crew members kidnapped from their vessel off the

coast of Nigeria in February have been released. The two men were abducted from the Bourbon Liberty 251 on February 23 after the vessel came under attack off the coast of Nigeria. Ten other crew members were left unharmed. The abducted men were reported to be of Russian and Nigerian nationalities. Both men are said to be in good health. The company did not say if or how much ransom was paid for their release.

### CALL FOR PROTECTION

The attack on “MT Maximus” – led to calls for governments and navies work more closely together to protect merchant ships in the Gulf of Guinea, security experts say. The Maximus attack was one in which it was felt that information sharing by local operatives could have been instrumental in preventing the hijacking, said a UK based maritime and defence consultant.

The experts claimed, that for some days before the attack occurred there were vague warnings in open source media that a suspicious vessel (a pirate mother vessel) was active in the waters off Togo and Ghana, moving west. These were ignored, and the vessel was hijacked.

There has been hope that information sharing could indeed support security efforts in the Gulf of Guinea. However, these efforts have not been without challenges. Most recently, BIMCO and The Standard

Club issued a warning regarding an alleged security breach in the Maritime Trade Information Sharing Center, Gulf of Guinea (MTISC-GoG).

The breach potentially resulted in the release of ships’ data to pirates. The breach has not been officially confirmed, but BIMCO recommended that vessels entering the area should “limit the provision of any information which would allow vessels to be identified or tracked.” Ships should still sign up for the center’s alerts, BIMCO said, but leaving out position information when entering the area “will allow continuity of shipping security in the region”. This could be a death knell for the efforts locally, and is a major cause of disappointment and concern.

### ASIAN ISSUES ONGOING

Pirate activity has not been confined to Africa - and reports emerged last month that an Indonesian tug, “Brahma 12”, was hijacked in the far south of the Philippines with the 10-strong crew held hostage. Reports in the Philippines claimed the attack was conducted by the militant group Abu Sayyaf, though this was unconfirmed.

A ransom in excess of \$1m was allegedly demanded. Abu Sayyaf has long been adept at raising funds through ransoms. Last month the group posted a video of three foreign hostages, two Canadians and one Norwegian, held for ransoms totalling to \$60m.

The number of incidents of piracy and armed robbery in the seas of Asia has increased from 187 to 200, or 7 per cent, from 2014 to 2015, according to an annual report by the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) Information Sharing Centre (ISC).

The report also revealed that the number of incidents has been rising since a 2012 low of 133. However, ReCAAP did note that the overall situation in Asia was headed for improvement with the efforts of regional enforcement agencies.

### MISSED OPPORTUNITIES?

The fact that piracy has not diminished is extremely disappointing, and does perhaps suggest some failures to take advantage of security opportunities when they have arisen.

It has now been ten years since the launch of ReCAAP, but sadly, as the figures suggest – we are still a long way from tackling the scourge out at sea. ReCAAP commemorated the anniversary in Singapore with the participation of delegations from twenty countries.

ReCAAP remains the first regional government-to-government agreement to promote and enhance

cooperation against piracy and armed robbery in Asia, but perhaps a long hard look is needed at what has truly been achieved in that time. Gathering data and encouraging reporting is hugely important – but this has to also support real measures which actually tackle and counter piracy. Attack levels have inexorably risen – and while that may indeed be a result of better reporting, it still hints that a joined up, holistic view is needed to solve the issue.

In one such measure, a surveillance dragnet of 314 CCTV cameras is to be built around Singapore’s shoreline from this year, part of the Police Coast Guard’s (PCG) efforts to boost its detection of intruders. It will add to its multi-layered defence of the island’s maritime borders, already watched over by advanced electro-optic cameras, radar systems and boat patrols. The closed-circuit television (CCTV) cameras will be fully deployed by 2018.

### SOMALIA STILL SEETHING

It can be all too easy to forget Somalia in the piracy mix – as the situation is one of positive containment currently. However, it is important to recall not only are there still seafarers being held, but that the nation remains extremely fragile and piracy could spill forth once more.

Last month the families of three Vietnamese men called for help from their government to save the seafarers who have been held by Somali pirates for four years. The men were captured in April 2012 when working on a Taiwanese fishing boat.

There has been a number of high profile cases against Somali pirates recently. Seven alleged pirates were set to go on trial in France, accused of piracy and murder last month accused of pirating a catamaran in 2011 off the coast of Somalia. While over the border, a Belgian court has sentenced a former Somali pirate kingpin to 20 years in prison over the 2009 hijacking of a Belgian ship off the coast of Somali. Mohamed Abdi Hassan, was lured into Belgium and arrested, and has now been convicted of crimes related to the hijacking of the Belgian ship “Pompeii” in 2009 and sentenced to 20 years.

There was also a warning that developments off the coast of Somali could rekindle piracy, after a former British Government minister established a firm that gives foreign fishing vessels licences to operate off the failed State. Sir Tony Baldry’s company has been criticised in a report by the United Nations Security Council over a deal with local officials that allows him to sell licences on their behalf in return for a 60 per cent cut. Critics of the deal point out that the presence of foreign fishing vessels in Somali waters was one of the root causes of the piracy crisis, with local fishermen hijacking foreign vessels in revenge for “stealing” their fish. The scheme has been accused of tempting Somali pirates back into action.



# TALKING ABOUT CYBER

*featured discussion on a number of key maritime issues. One of the most contentious was that of cyber security. With new figures showing the scale of the issue, what does the industry think of this potential Achilles heel?*

## BRIGHT BUT SCARY

The shipping industry finds itself in something of a difficult position at the moment – the future is looming large, but so too are the operational realities which still need to be addressed.

A new video released by Rolls-Royce recently has shown an incredible potential future, one with unmanned ships managed and overseen by Star Trek style shore based controllers. The future looks great, flashy and shiny, but will the reality match this halcyon vision?

At the moment it seems unlikely – not least because the shipping industry lack a cohesive, united image of what the future of shipping will be like. Some believe in the unmanned option – while others are unwilling to accept that seafarers have no future. Whatever the shape of shipping in years ahead, there is going to be a real need to tackle cyber security, and there has been much debate about how real the threats are, and of what can be done about them.

It isn't just about navigation – there are bigger security issues too. According to a recent report from Verizon's cybersecurity team pirates have managed to breach the servers of a global shipping company to locate the exact vessel and cargo containers they wanted to plunder. Verizon claims, that once pirates boarded the vessel, they were able to locate specific sought-after containers containing valuables. Verizon released the report detailing 18 case studies among hundreds its RISK Team investigated where pirates had uploaded malicious software allowing them to access data.

## LATE ADOPTERS

The maritime industry tends to be a late adopter of solutions – perhaps one of the reasons for this is that it often doesn't appreciate problems. There is a well held truism in shipping that disasters have done more for safety than any legislator. Sadly it takes tragedy to prompt a response.

This is the unfortunate and challenging backdrop to cyber security in shipping. There is a clear problem, but the industry has seemingly been slow to wake to it as there hasn't yet been a well-documented disaster to prompt action.

Shipping sadly does not have a good track record in the recording, reporting and compiling of data either. Maritime piracy is still dogged by under or misreporting. Stowaway data across the industry is incomplete, and even safety issues go unreported. To think that such a recent threat as cyber would arrive with a neat, accepted and effective reporting mechanism would be either naïve or foolishly optimistic.

So we see a dearth of statistics, data and records. There is a black hole of information and no definitive data on the scale of the problem facing shipping, let alone any quantum of resulting losses. Recently the US firm Harris CapRock, estimated cyber attacks against oil and gas infrastructure will cost close to \$1.9bn by 2018. They claim that hackers attacked 43% of global mining, oil and gas companies at least once last year, and there is a feeling shipping faces similar problems, as technology evolves.

## ARE WE PREPARED?

So are we prepared? In short, it would appear the answer would have to be no. There is no real indication that either threats are fully explored or understood, or that the mechanisms, protective systems and resources are in place to mitigate or counter the threat.

There are efforts to remedy this – and the fact that the industry debate is rumbling on is positive – but there is such a lot to consider, and so much to be done – and we simply do not know how much time there is to get it sorted.

It could be that the virus which will cause a VLCC to ground is already in the tankers' ECDIS, or that the jammer which blocks a Cruise ship's GPS has just been bought online.

Or the seafarer uploading pirate movies onto the ship's computer is about to damage the whole vessel's stores database. Or the terrorist group are looking at pictures of ships and ports they want to target. We just do not know!

What then is the biggest cyber threat to shipping? Terrorist hackers crashing tankers into each other? Cruise ships being run aground? Cargoes being vanished or containers of drugs being allowed through ports? Well, it seems all of the above – but the biggest current single threat would have to be ignorance.

## HEADS IN SAND

Unfortunately there seems to be two camps currently, those who don't know they have been breached and those who won't tell. So there is currently no way of knowing the true state of play. Without data it is hard, if not impossible, to plot trends.

However, what is certain is there has been an almost exponential growth in coverage of the issue. The number of conferences, publications, articles and discussions have exploded in the past 18 months. The trend of actual attacks or breaches may be obscured, but the fear they have engendered is clear for all to see.

There can be no head in sand approach, there is no room for the complacent, and indeed any lack of appreciation will make it hard to form a coherent industry response.

Thankfully things are moving, the International Maritime Organization (IMO) and the United States government have become embroiled in the move to legislate, and the Round Table of international shipping associations have produced industry guidelines – which are massively significant and positive strides.

## LONG JOURNEY AHEAD

KVH Industries, hosted a frank discussion about cyber security at CMA Shipping 2016, and a range of concerns about the current level of vulnerability emerged.

Among the key issues identified were complacency by ship operators, lack of training, non-existent cyber contingency plans, and the need for a set of best practices for minimising risks. Unfortunately there is a long tail between guidance, legislation and shipboard or shipping company personnel being better able to deal with problems, or to make sure they do not threaten safety and commerce at sea.

Companies and seafarers need to be guided, encouraged, and supported, they do not need to be scared or panicked. The industry needs to be provided with answers, lest the all too usual three wise monkey syndrome takes hold once more. Across many challenges facing shipping there has been a tendency to err towards no-one talking about the problem, no-one looking at the threats, and with no-one listening.

To such a backdrop it becomes increasingly hard to see how answers will be found, despite being desperately needed. The fact that so many heavy hitters from the industry sat around the table in CMA was testament to the fact that we may be seeing some progress – it can only be hoped that it is in time and we do not see a disaster and tragedy at sea before real improvements take centre stage.



# THE SEAFARER CONUNDRUM

*With the shipping industry currently enduring something of a torrid time, it can be all too easy to forget the need to safeguard the recruitment and retention of seafarers for the future. While today may be bleak, CMA Shipping 2016 heard just what the shipping industry has to do to keep its people happy.*

## RECRUITMENT AND RETENTION

At the Connecticut Maritime Association (CMA) conference there was much talk about the issue of how companies make seafaring attractive, and then how can shipping keep people stay in jobs – without losing them to competitors, to a shift ashore, or even out of the industry all together.

News reports state that the US merchant marine is facing a real shortfall of seafarers – and similar announcements have been made elsewhere. So what can be done to make sure we get more people in and keep those we have?

Perhaps the most important thing to note is that seafarers seem relatively and comparatively satisfied with their lot. According to the most recent BIMCO/ICS Manpower Report 2015 the majority of respondents were reportedly content with life at sea. At CMA, there were a number of presentations and discussions on welfare – with the ITF, ISWAN and the Crewtoo “Seafarers Happiness Index” all heavily featured.

However, while the current maritime workforce may be relatively content, it is important that shipping presents a positive image and is able to send out the message to ensure that more people go to sea. The message needs to shout out that jobs at sea can open up great opportunities, both short and long term.

## MAKING IT REAL

However the need to be “positive” shouldn’t allow too great a leap from “reality” – it is not enough to say that things are great, we need to make them so. We need to see that companies work hard to support their seafarers. It has often been said that people may doubt your words, but will believe your actions – and that in essence is the challenge for shipping companies, and indeed the whole industry.

Somehow we need to move away from talking the talk, and we have to walk the walk. It is clear that some of the more enlightened companies are keen to embrace new initiatives – and such efforts should be applauded.

Moves such as Euronav, agreeing a four-year sponsorship of Sailors’ Society’s “Wellness at Sea” programme.

This is the type of move which sends out a clear message – and according to Paddy Rodgers, chief executive of Euronav, said: “We, at Euronav, are concerned about the health and well-being of our own seafarers and it is with a sense of our broader responsibility to the whole industry that we support this initiative, particularly as it emphasises mental and emotional well-being, which are often ignored, but when they are absent their place is soon taken by accidents and injury.”

It is great to see such a positive step – but no amount of sponsorship can insulate shipping companies from the need to more on a day-to-day basis. Providing support to charities is fantastic, but some companies could and should do more to assist and to support their own seafarers directly – without recourse to the middleman.

## WHAT MORE CAN COMPANIES DO?

With the Maritime Labour Convention (MLC2006) providing a baseline level for treatment of seafarers, some companies could perhaps be forgiven for thinking that compliance is enough.

Given how poorly some seafarers are treated, perhaps certification for some companies is a major leap. Lest we forget, though, compliance is not excellence – and there is a long way and much to be done before shipping can shout too loudly of its credentials for caring.

There are so many things that seafarers want and need – and in MLC we are starting to address them. However, there are gaps in the rules, and there are so many opportunities to really go above and beyond. The best companies not only care, they reach out – they talk with their seafarers, and they find out what they both need and want. This is where real excellence emerges. Not from following rules, but more a playbook on how to get the best from people by giving the best to them.

## WHAT DO SEAFARERS WANT?

At CMA, perhaps the most compelling presentation was on the issue of seafarer happiness – and the wants and needs of those at sea. An ongoing study within the seafaring community has clearly indicated the wants and needs of crews. So what do seafarers want and what are they saying...

*Seafarers want an end to isolation and loneliness at sea:*

According to the study, homesickness, lack of internet access and lack of camaraderie onboard – are combining to create a negative downward spiral and a “rollercoaster” of emotions”.

*Seafarers want to feel connected at a reasonable price and with good quality service:*

Seafarers crave the connection that online access brings. Connectivity was felt as being the most obvious and simple answer to ensure that seafarers are able to cope with boredom and loneliness.

*Seafarers want reassurance that they will not be unfairly criminalised:*

The fear of criminalisation was an issue which were voiced repeatedly and vociferously in the Seafarers Happiness Index.

*Seafarers want the rising tide of administration and paperwork to be stemmed:*

Seafarers felt that paperwork was being used not to make operations safer or more efficient but cover liabilities ashore.

*Seafarers want shore leave to be free and straightforward, transport cheap and facilities to be good:*

Shore leave is a perennial problem for the modern seafarer. Long gone are the days when port calls meant something to look forward to – today, it is more likely to signal a procession of inspections, and more work to be done.

*Seafarers want port calls to be about more than a dread of audits, inspections, and more work to be done:*

Seafarers said there is “Too much to do and too little time to do it in”. Complaints surrounded paperwork and dealing with audits and inspections.

*Seafarers want to earn a fair wage, and to be guaranteed to receive their money:*

It was also felt that as wages ashore were on the rise, then the lure and attraction of the sea was being diminished.

*Seafarers want good quality food, which is nutritious and which reflect their needs:*

Food onboard is an emotive issue, from the purely nutritional demands fuelling a vessel’s workforce, through to the social benefits which come through people enjoying their dining. Good food does indeed equal happier seafarers.

*Seafarers want to be able to exercise and stay fit:*

Seafarers recognise that they sometimes need to make time and motivation to ensure their own fitness and health. Heavy work schedules and demands meant it was difficult, or they were too fatigued to contemplate exercise.

*Seafarers want training to reflect their needs, not just to meet legislation:*

Training is a pivotal and emotive issue, which seafarers have widely divergent views on. Some want to learn more and more, and to excel. While others see it all as rather a chore.

*Seafarers want to feel part of a shipboard team, with camaraderie, friendships and interaction:*

Interaction, friendships, bonds and professional support are vitally important onboard. Seafarers spoke of the pleasure of getting along with people, and of how positive such camaraderie is. Good colleagues was seen as being hugely significant, and made all the difference for seafarers.

*Seafarers want answers to ensuring social cohesion onboard:*

There are concerns too many seafarers do tend to retreat behind closed cabin doors, and there is too little social cohesion onboard. Companies were urged to do more to counter this.”

*Seafarers want their work loads to be considered, and the effects of fatigue and stress to be tackled:*

Heightened work loads lead to tiredness, stress and fatigue. An increased work load and lack of rest can combine to further undermine crews, weaken morale and damage the reputation of the profession. Seafarers spoke of “overload” as they feel unable to cope within the hours of rest requirements.



# CONFIDENCE ON THE SLIDE

*Any business is affected by confidence – the swagger that sees investment flow and banks open the vaults to lend. For shipping, this is a key and pivotal issue. So to hear reports that confidence is waning is particularly worrying.*

## WANING CONFIDENCE

Shipping advisers Moore Stephens reported that overall confidence levels in the industry fell to a record low in the three months ending February 2016, according to the results of the firm's Shipping Confidence Survey.

Overall, respondents reported a confidence level of 5.0 out of 10 for the markets in which they operate, compared with a 5.6 out of 10 in November. It is the lowest rating ever in the survey's eight years of data collection.

This grim view was mirrored by the appropriately monikered, Moody's. The ratings agency recently switched its outlook on the global shipping sector to negative as it expects supply growth to outpace demand growth in 2016 by more than 2%.

This, they feel will suppress freight rates, particularly in the dry bulk and containership segments. The outlook for the tanker segment remains stable as low crude oil prices will continue to boost demand for tankers. "Even though the tanker segment continues to perform strongly, we expect the supply-demand gap for the industry overall to exceed 2% in 2016, and possibly into 2017, as large new vessel deliveries coincide with subdued demand for dry bulk and container ships," claimed Moody's Senior VP.

## FLYING THE FLAGS

In such a commercially cut throat business as shipping, one area of the market which can sometimes be overlooked is that of flag States. Developments last month highlighted the good, bad and ugly side of the flag equation. On the good side, the International Chamber of Shipping announced its 2015/2016 Annual Flag State Performance Table last month. The table showed Cayman Registry as top of class for the fifth consecutive year in its.

Cayman Registry is one of 15 flag states that has received the distinction in this year's performance table.

The Flag State Performance Table serves to encourage ship owners and operators to examine the substance of a flag before registering their vessels.

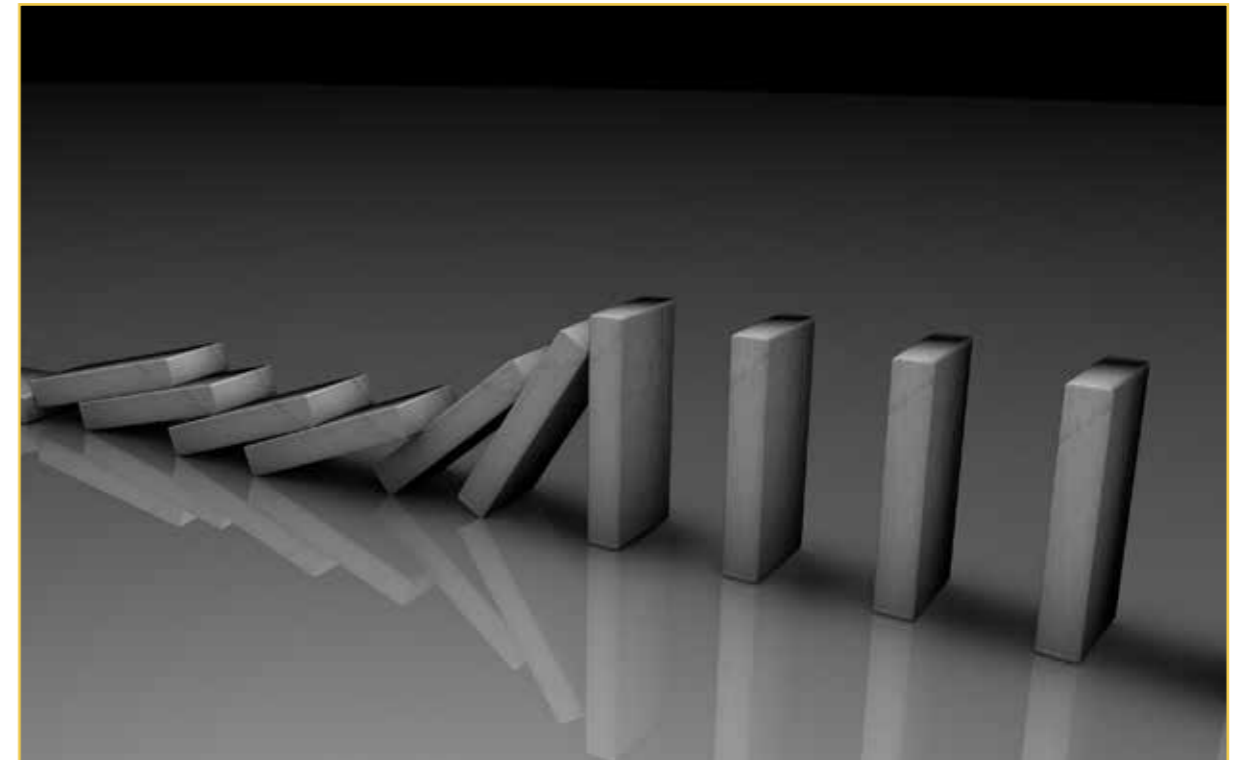
As for the bad – there was an announcement last month that some very significant ship registries face the embarrassment of being struck off the United States' approved list of flags. Bahamas, Barbados, China, Croatia, Curacao, Greece, Liberia, The Netherlands, Norway, Saudi Arabia, Singapore, Spain and Sweden are facing the axe from the United States Coast Guard's (USCG's) Qualship 21 list. There were 26 eligible flag States in 2015 of which 13 fell off the 2016 Qualship 21 preliminary list which will be presented in the USCG's 2016 annual report.

While the "ugly" could see the demise of an entire flag fleet. According to reports last month, Italy is seriously risking seeing all its merchant fleet going abroad. The Italian shipowners association "Confitarma" claims Italian politicians are trying to insert substantial modifications to the international register and tonnage tax regime which will limit the fiscal benefits to vessels with 100% Italian or EU personnel. Changes which could see owners set to flee to other flags.

## BATTLING WITH SEA LAW

Perhaps demonstrating how complicated the shipping conundrum is, and how delicate the International Chamber of Shipping (ICS) last month represented the interests of shipowners at the opening session of a UN Preparatory Committee starting work on a new legal instrument under the United Nations Convention on the Law of the Sea (UNCLOS).

The establishment of the new UN Preparatory Committee, under the auspices of the Division for Ocean Affairs and the Law of the Sea, follows the decision of the United Nations General Assembly, in 2015, that UNCLOS should be expanded to include a new legally binding instrument on the conservation of marine life in areas beyond national jurisdiction.



According to the scientists, pressures on marine ecosystems, including ecosystems beyond national jurisdiction, arise from pollution, overfishing, expanded shipping, marine mining, energy development, intensified aquaculture, as well as ocean warming and acidification. So a 'comprehensive global regime' on the conservation and sustainable use of marine biodiversity is vital, but of course could have a massive impact on shipping.

It is perhaps no wonder then, that owners find it hard to be confident. Beset as they are on all sides by pressures, demands and an ever rising tide of problems to be tackled.

## ROOT CANALS

A good barometer of shipping health comes through via canal transits – and the data from Suez and Panama really show who is doing what and when. However, even here there is some gloom reading. According to a new study, the Panama and Suez canals could be affected by the ongoing crisis in the container shipping industry.

The twin factors of cellular overcapacity and rock-bottom bunker costs have led carriers to divert multiple sailings away from the world's two principal trade arteries and reroute vessels around the southern African cape.

The six-month report for the second half of 2015 showed that since the end of October 2015, 115 vessels deployed on Asia-USEC and Asia-North Europe services have made the back-haul trip to Asia by sailing round the Cape of Good Hope rather than through the canals despite using them on the head-haul legs.

Latest Suez Canal traffic data reported that 298 ships traverse the Suez Canal with a total cargo load of 18.4m tonnes from 26 February to 3 March 2016. An average of 42.6 ships traversed the canal per day, with an average cargo load of 2.63m tonnes. The average cargo load per ship was 61,700 tonnes during the week. In July 2015, the month prior to the inauguration of the Suez Canal, an average of 47 ships traversed the canal daily, with an average cargo load of 2.758m tonnes per day. So there is a small drop, but is it significant? Time will tell.

Over in the Americas it seems that ports are simply not ready to deal with any upwelling in cargo which may come as U.S. East Coast look to use the Panama Canal expansion to lure traffic from congested West Coast ports. Sadly it seems the Eastern seaboard has failed to invest in infrastructure and are years away from being ready for extra business, according to Seaspan Corp Chief Executive Gerry Wang. There could be even worse news coming, as the USD 50-billion Nicaragua canal project is set to start in August, with the canal operational by 2020.

# NEWS ROUNDUP

## THESE WERE SOME OF THE STORIES WHICH CAUGHT OUR EYE OVER THE LAST MONTH, AND WHICH FEATURED IN OUR DAILY NEWS BRIEFING.

**Seafarer Hearing Loss Leap:** A 10-year pre-employment medical (PEME) study has found a dramatic increase in the incidence of hearing defects as the main reason for crew failing their pre-employment medical checks. Hearing defects have increased by 40% and are now the third main cause of PEME failure.

<http://goo.gl/XN8IOZ>.

**Drunken Skipper Charged:** A ship captain is faced charges of endangering naval traffic, after blocking access to the German port of Rostock while he was under the influence of alcohol. The 85-metre (279ft) long cargo ship the “Abis Bergen” ran aground as he tried to steer it out to sea. Police said he was “absolutely unfit for duty”. The identity of the captain has not been made public. Police said he risked causing an accident. A breathalyser test, carried out after harbour police smelled alcohol on the captain’s breath, established he was over the legal limit. The ship was refloated using tugboats and steered back into the harbour.

<http://goo.gl/xM9U8T>

**Tanker Impounded for Illegal Bunkers:** Nigerian Detectives attached to the Eastern Marine Command of the Nigerian Customs Service (NCS) have impounded an oil tanker, “MT African Beauty”, for allegedly operating illegally in the country’s waters. The ship was impounded while operating at the Nigerian National Petroleum Corporation (NNPC) jetty in Warri, Delta State. It is illegal for any shipping company to allow its vessel to operate in Nigeria waters without a valid permit.

<http://goo.gl/JWQ0V4>

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**Await Pilot with Confidence:** If your ship is arriving at a strange port, how should the master consider the forthcoming relationship with the pilot? It is an important question, in that the ship will be at its most vulnerable, no matter what port she is approaching. Every experienced shipmaster has heard cautionary tales about pilots that frightened their customers half to death with their over-exuberant ship-handling and just as there are more, or less competent, masters, so it might be suggested that there is the same sort of graduation in the world of pilotage. Slowly a recognised, universal standard is being rolled out.

<http://goo.gl/xDmhFr>

**Magic Pipe Case Overturned:** On March 14, the U.S. Fifth Circuit Court of Appeals overturned the conviction against Matthaios Fafalios, the chief engineer of the “Trident Navigator”, who was wrongfully charged and convicted in December 2014 of “failing to maintain an oil record book aboard a foreign-flagged merchant sea vessel.” At the close of the government’s evidence, Fafalios, a Greek seafarer, moved for judgment of acquittal as the government failed to prove beyond a reasonable doubt that he was the “master or other person in charge” of the vessel and therefore he was not legally required under the Coast Guard’s regulations to maintain the oil record book.

<http://goo.gl/WB9a44>

**UK France Ferry Shock:** Shocking details of why passenger ferry “Condor Liberation” was barred from leaving Poole, UK have been laid bare by the Maritime and Coastguard Agency. Eleven safety deficiencies were discovered, with four of these serious enough in their own right to give grounds to detain the £50 million vessel in port. The fast ferry was held in Poole following an inspection by the MCA and French Affaires Maritime Port State Control last week. It set sail again on Saturday after successfully passing a further inspection. There were multiple deficiencies with the main engine operation, inoperative steering gear, defective fire doors and no PA system.

<http://goo.gl/gXcOfu>

**Tackling Wildlife Smuggling:** The Sustainable Shipping Initiative (“SSI”) – a pioneering coalition of companies from across the global shipping industry – has today signed a Declaration to tackle global wildlife trafficking routes. The Declaration was unveiled by The Duke of Cambridge, President of United for Wildlife, and is the culmination of 12 months of work to develop a plan, led by the transport sector, to crack down on illegal wildlife trafficking routes. The signing of the Declaration is in line with one of the key pillars of the SSI’s Vision for a more sustainable shipping industry, which states that shipping must earn a reputation for being a trusted and responsible partner.

<http://goo.gl/hxXrM0>

### Toppled Ship Started Unstable:

A cargo ship which became stranded in the Solent for 19 days after developing a severe list was “unstable” when it left port, a report says. The “Hoegh Osaka” ran aground in January 2015 on its way from Southampton to Bremerhaven carrying high-end cars. A “significant difference” between the actual and estimated cargo weight left it unstable and contributed to the accident, marine investigators found. Owner Hoegh Autolines said no one person could be blamed for the error. “There were a number of circumstances here. We cannot put responsibility on one individual or group,” it said in a statement.

<http://goo.gl/hJG9hm>

### When to Shift to Shore:

Should seafarers ditch their career at sea early? According to a recent survey it was shown the average age these days that seafarers want to head ashore is just 31. Speaking at a forum event, P B Subbiah, director of HR at Pacific Basin Shipping, believed that crew should come ashore earlier. Kenny Rogers, head of Aurora Tankers, agreed. However, Head of vetting platform RightShip said: “It would be disastrous if we were turning over our seagoing staff at 31. We need to make the conditions onboard better.” While Lars Modin from V. Ships moving ashore too early would create too many “incompetent people” both ashore and at sea.

<http://goo.gl/pLZH5d>

**Su by Name, Sue by Nature:** Nobu Su, the embattled Taiwanese tycoon, is determined to take on some of the biggest names in the corporate world. Fresh from taking former Royal Bank of Scotland employees for fraud, he’s now after miner BHP Billiton, accusing the world’s largest diversified miner of manipulating iron ore prices for capesize vessels from time to time in the years following the financial crisis. The claim, which was filed in Singapore, suggests BHP Billiton’s very strong position on Australia-China trades effectively prevents fair competition from being maintained on this route. Su, argues that BHP allegedly abused its position to reap illegitimate profit.

<http://goo.gl/KGG1Dj>

**Engine Test Scandal Grows:** The growing scandal of false engine testing, which has already snared MAN Diesel & Turbo, has hit shipping’s other largest engine manufacturer. Wärtsilä Corporation announced today that following a global internal audit, deviations in certain fuel consumption measurement tests were detected at Wärtsilä’s delivery centre in Trieste in Italy. The deviations are on average 1% of fuel consumption. Of all Wärtsilä engine deliveries a total of 2% may have been affected. Wärtsilä’s main rival MAN paid a fine over its misleading fuel consumption claims five years ago, in a case that reignited last October with IM Skaugen pursuing the case.

<http://goo.gl/MRblRq>

**US in Weight Rule Denial:** The US Coast Guard (USCG), which this week added further confusion to the soon-to-be enforced SOLAS rules on container weight verification, has written a blog post clarifying its position. As Rear-Admiral Paul Thomas noted at the JOC’s TPM event in Long Beach for US exports, the USCG will not require the exporter to provide the weight, either actual or TARE, of the carrier’s container to the carrier. This position appears to be a result of competitive concerns – and pressure from exporters. Of course an observer might ask, if that was truly the case, why would the IMO introduce the new measures?

<http://goo.gl/gMf1cd>

**Alliances and Mergers:** Several of the world’s top container lines are entering in different vessel-sharing alliances following the current wave of mergers and acquisitions among carriers, reports China Daily. There has been reports that had shocked the containership transport industry - the possible mega-alliance between French liner CMA CGM and China Cosco Shipping (COSCOCS), the recently merged China’s biggest shipping line. Formed by Maersk Line and Mediterranean Shipping Co SA, the 2M operates more than 2.1 million twenty-foot equivalent units (or TEUs, the industry measurements of capacity of container ships and terminals), and owns 193 vessels.

<http://goo.gl/rmT2wo>



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