

SEACURUS BULLETIN

MONTHLY EDITION - FEBRUARY 2017 | ISSUE 68



LIVING IN INTERESTING TIMES

CHANGES FOR MARITIME LABOUR CONVENTION | BUILDING AND BUYING IN 2017
SPILLS DOWN BUT POLLUTION REMAINS | BULLYING AND HARRASMENT IMPACT PERFORMANCE



Inside this issue we examine a range of the latest debates in shipping, from bullying at sea and the effect on performance, through to pollution and the state of the global fleet and market.



In this issue..

- 01 **LIVING IN INTERESTING TIMES:**
For shipping it seems 2017 is turning into a year of both revolution and evolution - we look at what the future holds.
- 02 **CHANGES FOR MARITIME LABOUR CONVENTION:**
As MLC amendments on Seafarer abandonment enter into force, we assess the implications for the industry.
- 03 **BUILDING AND BUYING IN 2017:**
An annual review of the world's top ten ship-owning nations making fascinating and challenging reading.
- 04 **BULLYING AND HARRASMENT IMPACT PERFORMANCE:**
MLC is also setting about bullies at sea. What does it mean when seafarers don't work together well?
- 05 **SPILLS DOWN BUT POLLUTION REMAINS:**
Ten years on since the Napoli grounding, look at how pollution issues are still dogging shipping.
- 06 **MONTHLY NEWS ROUND-UP :**
Some other news stories which caught our eye in the the past month.. drawn from our daily news bulletin..

Seacurus Bulletin is published monthly by Seacurus Ltd
- providers of MLC crew insurance solutions

www.seacurus.com
E: enquiries@seacurus.com
T: +44 191 4690859
F: +44 191 4067577

Registered Office: Suite 3, Level 3,
Baltic Place West, Baltic Place,
South Shore Road, Gateshead,
NE8 3BA, UK

Seacurus Ltd
Registered in England No. 5201529
Authorised and regulated by the Financial Conduct Authority
A Barbican Group company

Welcome

➤ Welcome to this latest issue of the Seacurus Monthly, where we take a more in-depth look at some of the stories which are being felt across shipping or are shaping the markets.

As the Lunar New Year sees us bid farewell to the Chinese Year of the Monkey, which was an appropriately chaotic period for shipping, we head into the Year of the Rooster – and we are all hoping to have something to crow about in the year ahead.

According to our fortune cookie, the rooster is said to have many good characteristics. The Rooster is considered as being trustworthy, competitive, a wise decision-maker, conservative and patient. So 2017 could be quite a contrast to the year just gone.

There are even more poetic interpretations which paint the rooster as the bringer of light, as it greets each morning signalling that the darkness of the night has ended and the light of the day has come. We hope that is translated into shipping, and the dark depressed markets will give way to a new optimism.

Some are understandably unwilling to leave their business to astral charts, they are more interested in positions on navigational charts. So there is a slew of owners who are acting proactively to safeguard freight rates by pulling capacity from the trade via void sailings.

In the last month owners have been reducing capacity by 33% on the westbound Asia-Europe trade, and by as much as 43% on some services. Taking such strong measures to keep rates levels up is necessary in tough times.

Which brings us to one of the changes that could be set to be ushered in during 2017. It seems the age of the “cyborg shipping company” could be upon us. These are companies who aren't looking at the normal cycles within shipping. Instead they are data driven and hyper connected to their markets.

The big shipping companies will look to learn from retail giants such as Amazon and Alibaba – but actually, they could end up being eaten by them. There is a new trend for retailers to begin looking at space on ships as a commodity, and they are the experts at selling.

Technology, data management and the power of online buying is really set to come to the fore, and these are changes which are likely to see exponential growth – the power of shipping companies over the markets may be set for a real shake up.

So while the year will see some new ideas, there are also more longstanding problems to address. Finally after years of growing pressure, the first amendments to the Maritime Labour Convention, 2006 (MLC, 2006) came into force last

month. The amendments will ensure better protection to seafarers and their families in case of abandonment, death and long-term disability.

At Seacurus we have campaigned, lobbied, debated and even argued for this change. So for us it feels like a real victory – a means of ensuring not just seafarers have the protection they need, but that shipping is facing its responsibilities. We are standing by to assist and support companies as they navigate this most fundamental of changes.

Inside this issue we examine a range of the latest debates in shipping, from bullying at sea and the effect on performance, through to pollution and the state of the global fleet and market. We hope you enjoy this latest issue, and find lots of interesting and thought provoking comment inside. <

All the best

Capt. Thomas Brown
Managing Director





LIVING IN INTERESTING TIMES

For shipping it seems 2017 is turning into a year of both revolution and evolution – there are so many new ideas coming to the fore in business, as technology, data management and the power of online buying really come to the fore. Here we examine the changes, and the effects as they accelerate.

CHANGING LANDSCAPE

As with most things in container and liner shipping, it was Maersk which grabbed new opportunity, and has embraced potentially what could be a new model for the market. Their deal with internet retailer Alibaba means that shippers can now directly book space on vessels. This could be a real game changer.

While shippers traditionally go through freight forwarders to book space for goods on container vessels, using a system like Alibaba's "OneTouch booking" could revolutionise the models and date which are generated.

It is not just Maersk, and Alibaba is not the only retailer looking at different ways of managing the awkward business of finding or filling space onboard. Indeed, it seems something of a brave new world of booking has arrived – as Amazon is also looking to do things directly.

The retail giant, Amazon announced recently that it has started to fulfil its long held plan to ship goods from Chinese merchants to the US, bypassing freight

forwarders. Amazon has been booking space on container lines and has managed to ship around 150 boxes since the idea was first floated in Q4 2016. Indeed Amazon's China affiliate is now registered with the US Federal Maritime Commission to become a licenced ocean freight forwarder allowing it to buy and sell space on vessels.

NEW WAYS AND HIGHWAYS

It seems that not content with buying cargo space onboard vessels, the company is also reportedly buying up logistics firms, trucks and air freight infrastructure in Europe and the US with a view to cutting its own logistics costs. The retailer as the deliverer too...that would be quite a powerful model to compete with.

Perhaps the most powerful element of this would be data – Amazon, and whichever other retailers embark on a similar journey, knows its customers. It knows what they want and need, and also what they could be likely to want in the future...and more importantly, when that future could be.

Suddenly the cyclical nature of shipping is less dependent on the movement of vessel ownership and scrapping. Instead it becomes a cycle of consumption and consumer demand. Something which could ultimately even be driven by advertising or product placement on Amazon's on channels and online store.

The vision of a "new shipping industry", could see not only the consumer tail begin to wag the shipping dog – it could take over the whole beast completely. A new dawn beckons – and for some it is hugely exciting, while for others it is wholly terrifying.

LINEAR BECOMES DEVIATED

One industry expert who has spoken and written at length on just this subject is "maritime futurist", Kate Adamson. She has been stressing for some time that the old linear approach to the business of shipping no longer applies.

Adamson believes the old ways in which a wily shipowner would place a bet on a counter-cyclical investment, buying or selling ships at the right time is seemingly coming to an end.

The thinking is that the days of the old cycles and of hunches have gone, replaced by algorithms and data. The market will reflect the data of demand – and this information boom is growing exponentially.

Key to all this, according to Adamson, is understanding the difference between the linear growth we're used to and the exponential growth we're experiencing. This means, we can no longer use the past to predict the future. The past was a 30 mile an hour zone – everything was constraint by the limits of information sharing or data management and by the ability of people to act... that is no longer the case.

HIGH SPEED DECISIONS

So in moving from the constrained, and even comparatively slow delivery of data. With an even slower response to it. Now we are literally at light speed – the rate of change is, that word again, "exponential".

An exponential rate of increase becomes quicker and quicker as the thing that increases becomes larger. It means that the world is likely to change more in the next 50 years than in the last few hundred.

This is going to have massive implications for businesses and shipping's problem is that it's still using the past to predict the future. The assumption that if we just sit tight the upturn will come is a dangerous mistake.

There is a new disruptive business landscape, and it is finally seeming that the traditional shipping industry is not immune when digital companies come to look at what is being moved, by whom and when. Companies like Amazon, Uber, Facebook and Google are seeing that connectivity and mobility are merging and shipping could face very different competitors very soon.

BRAVE NEW WORLD

This is the new world of "seaconomics" – in which the historic link between global GDP growth and shipping volumes becomes decoupled. According to Adamson, it is not just technology driving this change. There is a demographic time bomb which is beginning to tick ever louder. This change sees an ageing population, one which buys services rather than goods – while there is a younger generation which is the first in memory to be poorer than its parents. Those with the money don't want "stuff", and those that do can't afford it.

Throw in the fact that we could be entering an age of localised protectionism, and the dawning of a new manufacturing age, then change seems the order of the day. There are set to be even more dramatic changes in the next couple of years, with the likes of 3D printing, indeed the very methods, volumes and locations of manufacturing are likely to alter markedly.

It is not necessarily all doom and gloom though – not for those who anticipate and respond effectively to change. Those who accept and learn to harness technologies which are currently disrupting but which can be used to shipping's advantage will win out. "Cyborg shipping companies" need to develop and evolve. Companies who are willing and able to use intelligent transportation systems – and that could of course be further development of autonomous vessels.

GOING AUTONOMOUS

The autonomous shipping debate is as fascinating as it is worrying. Especially so for those of us who have grown with seawater in our veins, and who proudly boast of the traditions of people at sea. So while it may still seem a tough sell, it is one that does appear increasingly likely.

The problem is that trying to evaluate the role of autonomous ships in terms of today's business models is missing the point. In fact it just confuses the debate – like discussing remote controls before TV sets were invented...it would look like a useless box, until that eureka moment when the planets and technology align.

More than different vessels and hyper-connectivity, what shipping needs is a "digital vision" for the industry and for each and every company. More even, Adamson believes that what is really needed is some form of audacious goal. Something transformative and defining that will attract the right talent and investment that we desperately need.

These are the choppy waters where shipping needs to play. It is unsettling and like a confused swell it can overcome those who are not riding the right waves at the right time. Shipping has an incredibly complex balancing act to perform – it needs to ensure that it has the ships it needs, which of course means building or buying, but only when the clients need them. To shift from the old certainties of the cyclical industry to this Amazon "floating warehousing" world is a tough concept – but change is coming, and it is coming faster and faster every day.

CHANGES FOR MARITIME LABOUR

The first amendments to the Maritime Labour Convention, 2006 (MLC, 2006) by the International Labour Organisation (ILO) came into force last month. The amendments will ensure better protection to seafarers and their families in case of abandonment, death and long-term disability.

LONG TIME COMING

The MLC amendments which protect seafarers in the event of abandonment were approved by the International Labour Conference in 2014, so it feels like they have been a fairly long time coming.

It was always one of the glaring gaps in the provisions for seafarers, that there were a raft of rules and regulations – but seafarers were still left in the cold if owners decided to pull the metaphorical financial plug on them.

Finally the 2014 amendments require that a financial security system be put in place to ensure that ship owners ensure compensation to seafarers and their families when the worst of events happens.

It does not get more fundamental than being killed or injured while at sea, or being abandoned by an owner. So the new amendments have been roundly welcomed and are a clear sign that seafarers need to be treated better.

MAKING IT COUNT

Still today a cursory search of the media will throw up all too many cases of abandonment. While we have covered in previous issues the fact that the industry is in the dark as to the real level of abandonments, it is clearly a serious problem – and one which would be likely to grow in such tough market conditions.

This is all about reassurance and the ability for the right support to be given to seafarers and their families. The amendments require that mandatory certificates and other evidence are required to be carried on board ships to establish that the financial security system is in place to protect the seafarers working on board.

Indeed foreign ships entering the ports of States for which MLC is in force will be inspected for compliance by port State control and action will be taken if the documentation is missing or incomplete. There is likely to be a round of concentrated inspection campaigns focusing on MLC in the year ahead – building on the experiences of the Paris MOU region last year.

While it is to be hoped the amendments will protect seafarers, they also send out another important message. The fact that MLC has been reassessed and weaknesses evaluated demonstrates that the convention can effectively be updated to meet the pressing needs of seafarers and the shipping industry. Like SOLAS, the need for a convention which is able to expand and breathe with the problems of the industry is a vital pillar of compliance.

JOINED UP THINKING

This ability for rules to reflect reality is a growing emphasis within shipping. For too long it was felt that rules were being churned out, and without much mind to how compliance would be enforced, or indeed the benefits for all parties.

So the amendments to MLC are not only positive, they are timely too. They also perhaps play a part in the theme for this year's World Maritime Day 2017, which was announced last month.

The theme for 2017 is "Connecting ships, ports and people" – and the focus will be on the importance of a coherent and connected development across all maritime sectors. Seemingly meaning that there is no point fixing isolated facets of the industry – just like there was no point having a convention protecting maritime labour, if owners could simply walk away.

IMO Secretary General Kitack Lim, speaking at the launch of WMD2017 said, "Throughout the year, we will highlight the importance of 'joined-up' maritime development across all sectors, both from a policy and a practical perspective. The benefits of a free and efficient flow of goods and trade extend far beyond the ships and ports themselves".

WELCOME ARRIVAL

Secretary General Lim, as if to prove a point, went on to explicitly welcome the entry into force of the new MLC and the long overdue arrival of compulsory insurance to cover abandonment of seafarers, as well as claims for death or long-term disability of seafarers.

He said, "These amendments, which will provide better protection for seafarers and their families, are the fruit of successful collaboration between IMO and ILO to ensure better working conditions and better protection should things go wrong. I am very pleased to see these amendments enter into force today for the parties to MLC 2006, all of which are also IMO member states.

"Seafarers make global trade possible and it is vital that we all work together to ensure their rights are protected. It has often been said that the MLC 2006 represents the fourth pillar when it comes to the most important maritime treaties, as it complements the IMO treaties covering safety – the SOLAS treaty, pollution prevention – the MARPOL treaty and training of seafarers – the STCW treaty," Lim said.

The Unions are seemingly happy – indeed, the ITF gave a warm welcome to the MLC amendments. ITF president, Paddy Crumlin, said: "The mechanisms will be in place for a huge change that will finally treat the running sore of crew abandonment. At last the fundamental idea that those who send seafarers to sea have a responsibility for them is enshrined in regulation.

STILL PROBLEMS

There is no silver bullet which can blast away the problem immediately. Of course having a system of insurance to fall back on will speed up the process, and should mean the days of crews languishing for months are over. There are still problems though, and it may take time before the sticking plaster of cover fixes the real disease of owners deciding to cut and run.

Just last month the UK Guardian featured the tale of the crew, abandoned onboard offshore supply vessel "Malaviya Twenty" in Great Yarmouth. It is unusual for such cases to break through to the mainstream media, and the paper focused on the fact that the crews who have been separated from their families in India for seven months are effectively imprisoned on the ship moored off the coast of Norfolk.

Unwilling to desert the ship without getting paid, its crew were left abandoned in the Norfolk port. Their fate offers a stark example of what an unfettered liberalised market does to a workforce – globalisation at its most raw.

You might think that the Guardian readers would be moved by such a sorry tale. Incredibly, and surprisingly that was not the effect. In the comments section it was troubling to read of how little regard people seemingly have for seafarers, and the perceptions that they are overpaid...even when not paid at all. Which all hints that the IMO's efforts to connect seafarers and the public need to really be ramped up this year.



BUILDING AND BUYING IN 2017

In a new infographic provided by the ship valuation experts VesselsValue.com the company has set out its annual review of the world's top ten ship-owning nations. With the market in state of flux it is fascinating to see how that has translated into ownership issues.

GRECIAN EARNINGS

According to the report, Greece retains the number one spot on the list despite a 12% dip in fleet value. With all this movement, it seems the Japanese are coming ever closer to stealing the lead.

Despite the tough market conditions across almost all vessel types, the value of the Japanese fleet held remarkably and surprisingly steady. There was less than one percent drop in value.

The same could not be said for the German Fleet, which was hit especially hard with box ship woes. According to the report, the German container fleet shrunk by nearly USD 11 Billion throughout 2016 after large losses in the sector.

The largest softening was experienced in the panamax and post-panamax sectors with some vessels losing up to 60% of their value. German losses are fuelled by this as 59% of their fleets consists of panama and post-panamax vessels.

VESSEL TYPES

Bulkers have had a deceptively good 2016 following the record lows at the start of the year. The top three bulker owning nations; Greece, Japan and China, have seen their fleets rise by over \$4 billion each. This growth has been supported by strong acquisitions following some of the lowest asset prices seen since the 1980s.

Greek tanker owners started 2016 earning more than \$100,000 /day on their vessels. However, the rest of the year has been predominantly bearish. By the end of 2016, the Greek fleet had shrunk by close to \$11 billion. Coming in second was the U.S. whose fleet lost \$4 billion, less than half of the Greek losses.

There is a real sense of upheaval going into 2017, and with politics shaping the horizon for trade it seems incredibly hard to know which way things will swing. Will localisation become the norm, or will new opportunities emerge as the old blocs break down?

The VesselValues' view is that time will tell on the whole impact of political fallout and falling out. With globalisation set for a reboot, the challenge for shipping is to be ready to respond, whatever the reality and however the ebb and flow of the trade tide pulls.

BUILDING ON

With fleets seeing large cuts in value, it seems that the trend set in 2016, when newbuilding orders hit a multi-year low is continuing to spill over to 2017. Perhaps with a sigh and mopped brow from the collective, it seems the majority of ship owners are wisely shying away from contracting, despite attractive prices.

There were some concerns in early January that owners were going to hit the shipyards with a rash of order, but after a fair amount of activity the market seems to have settled back down. The lion's share of orders appear to be for more specialised vessels.

Quite whether owners will be able to resist the lure of shiny new ships if yards cut build prices further, remains to be seen.

Experience would suggest that there will be some who simply cannot stay away – regardless of the state of the market and any over capacity.

While newbuilds are not currently popular, the same cannot be said for “pre-loved” tonnage. The market is “vivid” according to VesselsValue. They have Suezmax tanker values have firmed slightly, while even the derided container market has seen values remain stable.

THE CRUISE FACTOR

Looking forward across a rather healthier sector of the market, according to Seatrade's orderbook there are eleven ocean-going cruise ships valued at a total \$6.8bn which are targeted for delivery in 2017.

Rather incredibly, these new ships will add 28,000 lower berths to global capacity. This is a very similar pattern of growth to the start of last year. In 2016, 10 ocean-going newbuilds arrived, worth a total of nearly \$7bn and adding 27,580 lower berths.

According to Seatrade, 2017's newbuilds are TUI Cruises' “Mein Schiff 6”, Star Clippers' “Flying Clipper”, Viking Ocean Cruises' “Viking Sky” and “Viking Sun”, Norwegian Cruise Line's “Norwegian Joy”, AIDA Cruises' “AIDAperla”, Silversea Cruises' “Silver Muse”, Princess Cruises' “Majestic Princess”, MSC Cruises' “MSC Meraviglia” and “MSC Seaside”, and Dream Cruises' “World Dream”.

Fincantieri remains the most prolific builder, with five ships, followed by Meyer Werft with two ships. While four other yards will produce one ship each—STX France, Meyer Turku, Mitsubishi Heavy Industries and Brodosplit.

ECLECTIC FLEET

With the fight to secure an ever more selective and discerning audience – or certainly a crowd that has no end of cruising options, the cruise newbuild order book looks to be a remarkably eclectic fleet.

It ranges from a near replica of 1911's “France II”, the largest square-rigged sailing ship ever built (Flying Clipper) to two very large and different prototype vessels for one brand (MSC Meraviglia, MSC Seaside). Three ships are tailored for Chinese passengers (Norwegian Joy, Majestic Princess, World Dream), and two are for Germans (Mein Schiff 6, AIDAperla). One, for a European owner, is entering service in the US market (MSC Seaside).

There are no end of unique attractions being built into the ships – “MSC Meraviglia” will offer features like the first purpose-built venue for Cirque du Soleil. While “MSC Seaside” has a 360-degree promenade lined with indoor/outdoor shops. While the Chinese market has demands for novelties like the first race track at sea.

It is not just the cruise market with a slew of newbuilds on the go. There are currently more than 500 superyachts under construction in shipyards around the world. With “Dream Symphony” being the biggest of the bunch. Rather surprisingly this is to quite a traditional model. She is a wood constructed gaff schooner sail vessel of some 141.00m in length. She is slated to be built by the Dream Ship Victory yard in Turkey, and is due for launch in 2018.

BULLYING AND HARRASSMENT IMPACT PERFORMANCE

All too often, seafarers are reportedly subjected to bullying or aggravation at work. A new set of changes to the Maritime Labour Convention 2006 (MLC) look set to include steps to act against harassment. While it can seem a distant problem, the impact at sea can cause accidents and ultimately claims and losses.

TACKLING HARRASMENT

At the 2016 International Labour Conference – the 105th annual meeting of the International Labour Organisation (ILO) – government, employer and worker delegates overwhelmingly voted in favour of approving amendments to MLC in order to better protect seafarers against harassment on board ship.

It seems likely that these new requirements will enter into force by December 2018. Finally, it seems that MLC 2006 is moving away from fixtures and fitting, from labour laws and standards, into the issue of soft skills, management and performance. There is a clear line being laid down – and it is now no longer acceptable to bully, harass, or punish.

This is a massive leap forward. These MLC 2006 amendments relate to Regulation 4.3, the part of the code covering health and safety protection and accident prevention. The aim of the changes is to eliminate shipboard harassment and bullying by ensuring that these issues are covered by the health and safety policies and measures required by the Code.

There have been a number of high profiles cases in recent years, in which not only has a culture of bullying pervaded, but it has taken even darker twists and turns. There have been murders and suicides at sea, while the stresses and depression they cause have a huge impact on performance.

RECOGNISING THE PROBLEM

The new guidance on eliminating shipboard harassment and bullying has been jointly developed by the International Chamber of Shipping (ICS) and the International Transport Workers' Federation (ITF).

Guy Ryder, Director-General of the International Labour Organization (ILO) states, "Harassment and bullying on board ships can have serious consequences for the physical and emotional health of seafarers, lead to decreased motivation and increased sickness and can compromise cohesive and effective teamwork."

Ryder also stresses that it is not solely about the ship – it is now recognised that harassment and bullying also have negative effects for companies. Where there is bullying, harassment and aggravation, there is a clear deterioration of working conditions and potential organisational, economic and legal consequences.

The group dynamics onboard ships with bad atmospheres and a breakdown of working relations do not make for a good ship. In the stress, fear and atmosphere of recrimination, this is where mistakes are made. Safety suffers when seafarers are intimidated, or are unhappy. Claims result and there is a downward spiral of standards.

BAD THINGS HAPPEN

The full ILO guidance can be found here: <http://www.ics-shipping.org/docs/harassmentandbullying> the guidance gives advice to management companies and crew on the issues and how to handle the problems, while creating a better working environment.

It includes examples of harassment and bullying, outlines company policies on harassment and bullying, how to identify and report incidents of harassment and bullying and measures to eliminate harassment and bullying.



UNDER THE GUIDANCE:

Harassment includes, "any inappropriate and unwelcome conduct" that, whether intentionally or not, creates feelings of unease, humiliation, embarrassment or discomfort for the recipient".

Bullying includes hostile or vindictive behaviour, which can cause the recipient to feel threatened or intimidated.

Together the combined effect can cause serious detrimental effects to those who experience it.

These may include:

- **Stress;**
- **Lack of motivation;**
- **Reduced work performance;**
- **Absence from duties; and**
- **Resignations**

PEOPLE PROBLEMS

The issue of whether we are able to retain people is coming to the fore once more, as there are clear concerns about a chronic UK shortage of seafarer skills. All sides of the shipping industry have united to call for urgent the UK government to tackle a growing crisis in UK maritime training and employment.

The Department for Transport UK Seafarer Projections report warns that the supply of British deck and engineer officers is set to fall by more than 30% by 2026. While the future supply of UK deck and engine ratings to the industry is expected to decline by as much as 16%, based on age of the current workforce and low numbers of trainee ratings.

As to whether this is a real disaster, or simply one more step down the passage plan to unmanned ships is something of a moot point. As with the issue of autonomous vessels, to judge the manning needs of the future to the backdrop of today makes the sums fairly irrelevant.

A future of autonomous vessels seems pretty nailed on, but there are some who argue that people will still be needed for some jobs onboard. Well, if developments offshore are anything to go by, then these jobs could be lost too. There is now a move to increasingly use robots on oil drillships in the Gulf of Mexico. The "Iron Roughneck", made by National Oilwell Varco Inc., automates the repetitive and dangerous task of connecting hundreds of segments of drill pipe as they're shoved through miles of ocean water and oil-bearing rock. So, it looks like we could be on the cusp of real and incredible change.



SPILLS DOWN BUT POLLUTION REMAINS

It is now ten years since the UK-flagged box ship “MSC Napoli” ran into trouble in the English Channel. While casualties are seemingly falling, there are still major issues when it comes to marine pollution.

NAPOLI REMINDER

The Napoli casualty set off what is probably the largest maritime salvage job in UK history after the ship was intentionally grounded and broken up off the Devon coast back in 2007.

The 4,419 TEU containership encountered heavy seas during a passage of the English Channel, causing catastrophic hull failure. All 26 crewmembers abandoned ship into two lifeboats and were picked up by Royal Navy helicopters. The scale of the response and resources required to salvage the Napoli was immense, and served as a reminder of what can go wrong at sea.

Thankfully for the environment the cargo which drifted ashore wasn't oil, but instead boxes of all kinds of exciting, tempting goodies – which brought people from hundreds of miles away to get their hands on the flotsam which washed ashore.

BMW motorbikes, timber and even the belongings of emigrating families were fair game for the beachcombers, but had it been a tanker and a major oil spill, then things could have been so very, very different.



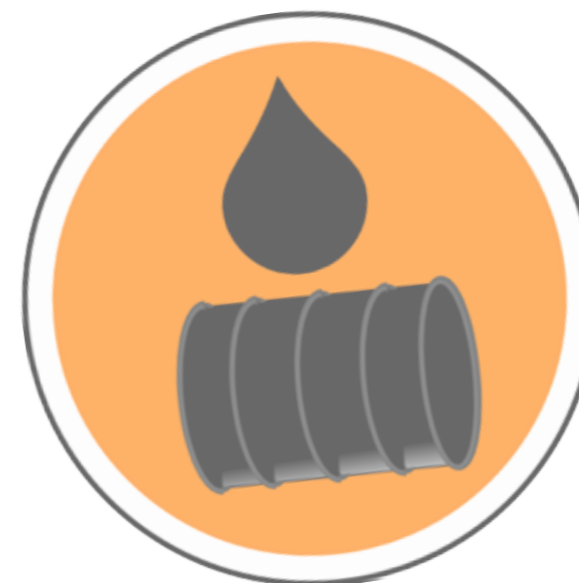
TANKER SPILLS DOWN

Thankfully, the latest annual statistics issued by the International Tanker Owners Pollution Federation Limited (ITOPF) indicated a continued and marked downward trend in oil spills from tankers.

According to ITOPF, the average number of large oil spills from tankers, greater than 700 tons, has progressively reduced and since 2010 averages 1.7 per year. Which is fantastic progress, and something to be celebrated.

Of the larger spills – 2016 saw one large tanker spill in the Gulf of Mexico. The incident involved cargoes of gasoline and diesel. There were four medium-sized spills in 2016, in South America, where crude oil was spilt during loading operations and one in Malaysia also with oil spilt during loading operations.

The remaining two, which both resulted in fires, were reported in the last quarter of the year in the USA and China. So it can be seen that there are real improvements, and spills are far less frequent. Though the problems don't end there.



MAGIC PIPE CASES

With far fewer spills, perhaps that is bringing an even closer scrutiny of deliberate discharges. It does seem a shame to clean up accidental damage, only for some crews and owners to be intent on dumping oil at sea.

This is a problem which is seemingly on the rise. Last month the U.S. Department of Justice stated that 2016 was a record year for prosecuting shipping companies and crew for illegal discharges from ocean-going vessels in U.S. waters.

At the end of 2016, criminal penalties of more than \$363 million in fines and more than 32 years of imprisonment from cases related to intentional discharges of pollutants from vessels using so-called “magic pipes” to dump oil-contaminated water overboard.

Companies have been hit with huge penalties, and there is often insult added to environmental injury as crews have to then follow their crude magic pipe attempts to trying to cover the illegal dumping up by failing to record discharges in the ship's oil record book. Bad practices, falsified documents and eager prosecutors do not make a good recipe.

SULPHUR SO BAD

It is not just oil spills or covert dumping, perhaps the biggest concern is the air pollution produced by ships. Something which is being dealt with, but seemingly in a rather complex and convoluted manner.

An IMO Sub-Committee is now working to ensure the consistent and effective implementation of the 2020 “0.50% m/m sulphur limit”, which was decided by the Marine Environment Protection Committee (MEPC) last year.

The proposed work is aimed at exploring what actions may be taken to ensure consistent and effective implementation of the sulphur limit for fuel oil used by ships operating outside designated SOx Emission Control Areas, or not making use of an equivalent such as an Exhaust Gas Cleaning System.



As part of these approaches the IMO recently published “Guidelines for Onboard Sampling for the Verification of the Sulphur Content of the Fuel Oil used on board ships”. Although the guidelines are a recommendation only, they set forth an acceptable sampling method for inspectors to determine the sulphur content of fuel.

SHIPPING LEFT BEHIND

With shipping still dogged by an image of smoke from funnels and oil spills, it is perhaps unsurprising that rail transport should be seeking to push its environmental and operational credentials over vast distances.

In fact some predict that 2017 will be the year that China-Europe rail services actually begin to shift supply chain patterns.

With something of a media frenzy, the first train from China rolled into London last month. The train left Yiwu Xi station in eastern China's Zhejiang province on January 1. Before arriving just outside London 18-days later. A journey time around half the time required for sea transport, and significantly cheaper than air freight.

The 12 000 km route ran via Kazakhstan, Russia, Belarus, Poland, Germany, Belgium and France. It all sounds rather enticing - however, the facts are perhaps a little different. The train only carried 44, 40ft intermodal containers, of which 10 were destined for Duisburg in Germany. The other 34 were transferred in Duisburg to special DB Cargo container wagons which are approved for use in the Channel Tunnel.

So all in all, a rather convoluted exercise - which with punishingly low freight rates on ships may not appear that attractive after all. Though the risk to shipping should be taken seriously, and cannot be ignored.



MONTHLY NEWS ROUND-UP

A round up of some of the other maritime and shipping news stories which caught our eye last month. Just ask if you would like any colleagues or contacts adding to our distribution list. With hundreds of the world's key marine insurance and shipping stakeholders already signed up, don't miss out on your daily dose of news.

Email sjones@seacurus.com for details

BREXIT Trade Fears - The UK Freight Transport Association has warned Parliament that exiting the European Union without some arrangement for "frictionless trade" could lead to expensive customs delays for ports, hauliers and shippers. The current customs union provides for a uniform series of tariffs on the import of foreign goods, and it prohibits member states from charging tariffs for cross-border movements within the EU. At present, UK customs waves goods from the EU through, but the customs system will have to be scaled up to handle up to an additional 300 million import declarations which could lead to delays of up to four days in port.

<https://goo.gl/yUGX4P>

Stuck in the Caribbean - Tankers carrying crude oil and fuel barrels have been stranded in the Caribbean because of PDVSA's inability to pay for basic pre-docking port services. At least 12 vessels are anchored offshore with crude oil stains on their hulls due to leaks, and Venezuela has not been able to pay for cleaning, inspections or other services to address the situation, which are mandatory for navigating international waters per maritime law. Ships loaded with about 1.4 million barrels of crude oil, diesel, gasoline, fuel oil and liquefied petroleum gas are waiting for hull cleaning.

<https://goo.gl/udZMsu>

More Drug Ferry Failures - Just one week after 10 crewmembers of the cross-Channel ferry "Pride of Canterbury" were fired for positive drug tests, eight crewmembers from the P&O Ferries ropax "Spirit of Britain" tested "non-negative" for the presence of cocaine or cannabis. P&O administered on-board urine tests to 106 crewmembers on the Spirit of Britain, and eight failed. "None of the eight was an officer and all of them have been suspended whilst we await confirmation of the formal analysis of their samples," P&O Ferries said in a statement. It was not immediately clear whether the crewmembers were using drugs on board or ashore before crewing up.

<https://goo.gl/BHljJT>

Box Lines Profit Cut - The container shipping lines received an average rate 7% (42 USD) lower in 2016 than in 2015, if they operated in the spot market on all Shanghai Containerized Freight Index (SCFI) trade routes. This has primarily been due to the devastating low rates received in the first half of 2016, as the average rate received in H2 2016 was 22% higher than the rate received in H2 2015. The freight rates managed to gain momentum through second half of 2016, due to measures taken from the shipping lines in terms of network optimisation, scrapping and more careful deployment around the peak season.

<https://goo.gl/ZJZoSz>

LR Looks At Growth - The LR Group Review 2016 outlines the Classification Society's strategy for sustainable growth and our work to support clients through a continued period of global challenges. Society and LR's clients are facing unprecedented global challenges. Population growth, urbanisation and prosperity are putting pressure on our finite natural resources and the environment. Fossil fuel consumption resulting in emission of greenhouse gases are contributing to global warming and climate change. At the same time, rapid developments in technology and the digital economy, the backbone of the fourth industrial revolution.

<https://goo.gl/ScuOcz>

Greeks Want Recognition - European politicians and legislators both in the European Union and in Greece have to realise shipping is a pillar of the European economy and Greek shipping is a pillar of European shipping and is vital to the economic welfare of all of Europe. "At the highest political level we must make Europeans understand Greek shipping is not only Greek but is a proven European asset and we will do all we can to make Europeans understand this," the country's Shipping & Island Policy Minister, Panagiotis Kouroumbliis, has once again vowed.

<https://goo.gl/LfnpHl>

Vessels Divert to Avoid Pirates - "The Sulu/Celebes area is the world's fastest growing piracy hotspot, with violent attacks on commercial vessels and their crews, and an increasingly successful kidnap and ransom business model," said Gerry Northwood, chief operating officer at armed guard company Maritime Asset Security and Training (MAST). Shipping data in Thomson Reuters Eikon shows several large vessels carrying iron ore from Australia to northern Asia, which used to take the route through the Sulu Sea, are now sailing east of the Philippines, through the open Pacific Ocean. At least six shipping companies are diverting vessels via this route.

<https://goo.gl/gPXi0Z>

Steamship Tackles Cyber Risks - As part of Steamship Mutual's loss prevention initiatives, the Club has released their latest DVD 'Cyber Security: Smart, Safe Shipping' highlighting the implications of a potential cyber security breach for a shipping company. All businesses rely heavily upon computer systems to sustain their operations. These systems improve operational efficiency and capability, but they can be vulnerable to the risk of being compromised by cyber-attack. Such attacks can take various forms, and if that risk of attack materialises, operational effectiveness can be seriously compromised.

<https://goo.gl/y4C9pR>

Weaker Players at Risk - The gradual recovery in freight markets is a much-needed and positive development for the container shipping sector in our view, but it is likely to be partially at the expense of the weaker players, especially companies that are still heavily leveraged and carry heavy debt burdens. We expect the rejuvenation of the business cycle to drive further gains by year-end, though the ride could be bumpy. One of the key metrics to measure the health of the industry are the head-haul East-West load factors. Average industry utilisations of 87% and 93% in the second and third quarters denote a decent state of affairs.

<https://goo.gl/Dij2xk>

Shipping On the Rebound - The CEO of Maersk Group has given his unique insight into the rebound seen in global shipping prices in the last few months. Speaking at the World Economic Forum in Davos, Søren Skou, the chief executive officer of Maersk Group, said the global freight index for container shipping had more than doubled in the last nine months. "It's simply driven by the fact that the carriers have taken a lot of capacity out of the market," he said.

<https://goo.gl/nvUUBj>

Abandoned Crew Plead for Help - Over 40 Indian sailors are stranded in UAE's Ajman anchorage and have sought help from External Affairs Minister Sushma Swaraj. Tweeting to Sushma Swaraj and Prime Minister Narendra Modi, the sailors and their families shared their plight and asked them to save their lives. Apparently, two out of the four ships are leaking and the passports of the sailors have been seized by the owner who remains untraceable.

<https://goo.gl/O1BapY>

Djibouti Code Widens Coverage - An international agreement that has been instrumental in repressing piracy and armed robbery against ships in the western Indian Ocean and the Gulf of Aden has seen its scope significantly broadened to cover other illicit maritime activities, including human trafficking and illegal, unreported and unregulated (IUU) fishing. A high-level meeting of signatories to the Djibouti Code of Conduct, held in Jeddah, Saudi Arabia (10 to 12 January 2017) has adopted a revised Code of Conduct, which will be known as the "Jeddah Amendment to the Djibouti Code of Conduct 2017".

<https://goo.gl/gScmCN>

Rise in Kidnappings - More crew were kidnapped at sea in 2016 than in any of the previous 10 years, despite global piracy reaching its lowest levels since 1998, the ICC International Maritime Bureau's (IMB) annual piracy report revealed today. In its 2016 report, IMB recorded 191 incidents of piracy and armed robbery on the world's seas. "The continued fall in piracy is good news, but certain shipping routes remain dangerous, and the escalation of crew kidnapping is a worrying trend in some emerging areas," said Pottengal Mukundan, Director of IMB whose Piracy Reporting Centre (PRC) has monitored world piracy since 1991.

<https://goo.gl/OMpDkF>

UK Club Stresses Training - The UK P&I Club has highlighted the importance of adequate training around ECDIS and navigation. George Devereese, loss prevention executive said that while ECDIS has proved extremely helpful for navigation at sea, there are issues that should be considered when it is in use. Seafarers should always ensure that ECDIS charts are updated on a weekly basis. When paper charts were in common usage, this could be a time consuming and laborious process. With ECDIS, updates can be downloaded through various applications such as Chart Tracker in a matter of minutes.

<https://goo.gl/bLCq22>

Tough Times for Box Ports - The head of one of the world's top container terminal operators has admitted times are tough for those in the port sector. In announcing results for 2016, Tan Chong Meng, group CEO of Singapore-headquartered PSA International, said: "The tough business environment is likely to continue into 2017 but that is not the whole story. We may witness more system-wide changes brought on by the convergence of slow market growth, emerging technologies and new business needs. Rapid consolidations in the container liner industry are giving rise to uncertainties as well as opportunities.

<https://goo.gl/H797ja>

American P&I Centenary - The American P&I Club was founded in New York nearly a century ago. To celebrate its first 100 years, a book entitled The American Club: A Centennial History has just been published. The book tells the story of the Club across ten decades of maritime and marine insurance history both within the United States and across the world. Its author is Richard Blodgett, a former Wall Street Journal reporter whose previous credits include histories of the New York Stock Exchange, Kohler and Co. and JPMorgan Chase & Co.

<https://goo.gl/EFcASd>

Insurers Tackling Cargo Crime - Cargo crime is a global issue which must be tackled across all continents and takes different shapes and forms in different parts of the world. The issue has heightened in recent years due to criminals becoming more organised and international in their reach, with new and more sophisticated methods. Accordingly "cargo theft" is now permanently high on IUMI's agenda, and a position paper on the topic was published last year highlighting members concerns and recommending measures to combat such crimes.

<https://goo.gl/acylSd>

Growing Problem of Obesity - Shipowners Club has partnered with the International Seafarers' Welfare and Assistance Network (ISWAN) to raise awareness of crew-related illness and to assist members in mitigating against related incidents. A more sedentary lifestyle is reflected onboard ships and can lead to overweight crewmembers. Eating healthily and keeping fit are two vital principles that help individuals maintain a healthy body weight and in turn reduce the likelihood of getting ill, improving lifestyle onboard. Claims related to illness are frequently notified and the number of claims reported remaining steady in number over the last five policy years.

<https://goo.gl/8wWdyl>

SEACURUS BULLETIN

WWW.SEACURUS.COM

The Seacurus Bulletin is published monthly by Seacurus Ltd
- providers of MLC crew insurance solutions
