

# SEACURUS BULLETIN

MONTHLY EDITION - APRIL 2017 | ISSUE 70



## THE LONG HARD GOODBYE

SOMALI TINDER AND SPARK | WORKING ON A BLOCKCHAIN GANG | SHIPOWNERS' LIFE OF PIE



---

Inside this issue we look at some of the potential effects of the move to BREXIT – regardless of any political views, the move to leave the EU will mean change and uncertainty. Will there be a new landscape of opportunity or of crushing bureaucracy and higher costs?

---



## In this issue..

- 01 **THE LONG HARD GOODBYE:**  
The starting gun to a two year race to prepare for life outside the union has been fired. What does it mean for shipping?
- 02 **SOMALI TINDER AND SPARK:**  
The latest hijacking has been greeted with calls for action, criticisms and concerns. What is really going on?
- 03 **WORKING ON A BLOCKCHAIN GANG:**  
You can tell a lot about a business by the people they hire... so for Maersk the future is seemingly big data.
- 04 **SHIPOWNERS' LIFE OF PIE:**  
"Pity the poor shipowner" is a phrase that is often rolled out. Thankfully when you see the world's Rich List, owners are doing ok.
- 05 **LOOKING BACK AT MARITIME SAFETY:**  
Last month saw the 30th anniversary of the loss of the "Herald of Free Enterprise", what has been learned?
- 06 **MONTHLY NEWS ROUND-UP :**  
Some of the other stories which have caught our eye in the the headlines last month.

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 once again to the Seacurus Monthly, in which we look at some of the key issues currently facing shipping and the marine insurance markets.

There can be no avoiding the fact that most news has been dominated by the triggering of "Article 50" by the UK. Thereby announcing the nation's intention to leave the European Union within the next two years.

Now comes an incredibly complex and challenging game of trade chess, as the UK and EU negotiators seek to ensure that each party is as unhappy as possible. There are knock on effects being felt across almost all business sectors, and shipping is far from immune.

Already there has been an announcement that Lloyd's of London is setting up a new insurance company in Brussels. The aim being to secure a European foothold after the UK splits from the rest of the EU.

Chief executive Inga Beale, said that the intention is for the company to be ready to operate on 1 January 2019. "It is important that we are able to provide the market and customers with an effective solution that means business can carry on without interruption when the UK leaves the EU," she said.

Inside this Seacurus Monthly we look at some of the other potential effects of the move to BREXIT –

regardless of any political views, the move to leave the EU will mean change and uncertainty. Is it a time of fear or hope, and will there be a new landscape of opportunity or of crushing bureaucracy and higher costs?

This month we also look at the first successful Somali hijack for some years. When the small tanker, "Aris 13" was hijacked off Somalia last month the news was greeted with calls for action, criticisms and concerns. Many industry experts stated this first hijacking was just waiting to happen, and there have been criticisms of shipping companies not taking the right precautions, and even cutting corners when it comes to navigation. Placing their people and ships into the firing line, literally and metaphorically.

There is currently no escaping from the push for "big data" in shipping, and so it has been little surprise that Maersk has been progressing its plans to be at the forefront of the digital shipping revolution. The company has appointed a new Chairman from a digital background, and so the journey from boxes to blockchain continues apace.

Such a view of shipping's future calls into question how shipowners will get paid. "Pity the poor shipowner" is a phrase that is often rolled out, but as you will see inside the world's Rich List seems to hint that shipping

is still a pretty lucrative affair. Even more so for those owners who mix the portfolio and have a few side interests. Money makes money, as they say in Monaco.

It was with sadness that reflected last month on the 30th anniversary of the loss of the "Herald of Free Enterprise". A tragedy which saw the deaths of 193 people. Looking back over the decades it is interesting to see the change in shipping, and so too the worryingly familiar problems. We look at the lessons which have been learned, the mistakes which have been continuing, and ask questions of the future.

We hope you enjoy this latest issue, and look forward to hearing from you if you have any comments or thoughts to share. <

All the best

Capt. Thomas Brown  
Managing Director



# THE LONG HARD GOODBYE

The UK's triggering of "Article 50", thereby announcing the nation's intention to formally leave the European Union, is a starting gun to a two year race to prepare for life outside the union. BREXIT will mean both positives and negatives, but what do the experts think the impact on shipping will be?



## AND WE'RE OFF

Whatever the political views, it seems that most people agree there are more "unknowns" than "knowns" for UK maritime trade and ports when it comes to how BREXIT will play out.

Indeed, the buzzword for the post-BREXIT landscape both in Europe and further afield is "uncertainty". No-one really knows the long term effect of the goodbye will have on local and global economies.

The only facts are what has gone before. However, as anyone who has shares or watches football can tell you, past performance is not an indicator of future outcomes. So we are pretty much in the dark.

One of the main tenants of the Eurozone was to have free trade between member states. Though it has declined over the years, EU states make up 45% of British exports and the negotiations on the UKs leaving could see those free trade agreements ripped up with taxes on all goods exported to EU countries.

## IMPORT AND EXPORTS

While Britain was part of the Eurozone goods coming from the UK to any European country were considered as domestic shipping and not subject to bureaucracy that shipments from non-Eurozone countries.

One of the key concerns is that leaving the Eurozone could potentially create more complications, slower delivery times, and higher costs for shipping. Similarly, there may well be implications for imports to the UK from Europe, and they could be replaced by those from elsewhere.

The import of goods and how they are shipped to the UK may be forced to change if current free trade agreements are cancelled. This again could see consumers in the UK paying tariffs on goods from the Eurozone, which they hadn't done before.

Any rise in costs is likely to drive UK consumers to seek alternatives, and so it seems likely that the nation will look to other countries outside Europe. So shipping from these other countries to the UK will increase as EU trade decreases. The likes of the US, China, Canada, Australia and New Zealand have been mooted as the saviours of UK shoppers.

## THE DANCE BEGINS

To this backdrop of uncertainty, a tumbling pound and so much second guessing, it seems that there is no clear picture emerging. There has been talk, but nothing substantive and the triggering of Article 50 is really only the start of the dance proper.

80% of the world markets exist outside Europe and so for the UK and international maritime trade there will be a new dynamic. There are new opportunities and challenges.

The British Shippers' Council debated the potential impact of BREXIT last year and concluded that there are no real conclusions. They believed then that it was too early to tell what the outcome will be, because it will depend on what

new trade agreements are negotiated with both the EU and non-EU trading partners.

While Guy Platten, CEO of the UK Chamber of Shipping, said that the UK maritime sector can make it all work, and while there will be some difficult issues, trade would continue. Indeed it was said that the UK Chamber of Shipping has, "a feeling of optimism" for a post BREXIT world.

## WILL THEY COME

One big concern is whether a politically isolated UK will still benefit from direct vessel calls, particularly as there is no longer any large British container carrier based in the UK to champion calls. Some have questioned whether the UK will have the trade punch to attract the mega ships.

Most experts though, believe container lines will continue to call directly at UK ports, whatever happens. The sheer scale of the UK market and the volumes of cargo involved are more than large enough to justify direct calls with mainline vessels, mainly in the South of England ports and it is in the lines' own interest to call there direct.

It may come as a surprise, but the UK has been importing much from beyond the EU. In fact, based on January-May 2016 figures from Container Trade Statistics, the UK imported more containers from Asia than any other North European country. Indeed, almost all of the Asia-North Europe loops call at a British port; a high proportion which is expected and which will hopefully continue.

If the consumers continue to spend, then the cycle of flowing cash should mean that importers will still be hungry for the UK market. Ships go where the cargo owners want, and so fears of the big box ships heading elsewhere are probably unfounded.

## LOST BENEFITS

One of the biggest concerns is how UK trade will fare when moved away from EU rules and regulations. British shippers are fearful of losing the benefits of free trade and customs harmonisation with the EU single market. They do not want to return to the days of red tape and single administrative documents.

Industry analysts, see that there are real risks of new inefficiencies and costs if the bureaucracy cannot be contained. The trade negotiations which will now make up a massive part of the Article 50 process will see both parties' hoping for simplified trade processes – but who will play hardball and who will blink first?

Put simply a return to tariffs for UK merchandise exports and imports hurts everyone. So it is to be hoped that the trade negotiations head off such problems. The exit scenario is the key, and there is just no telling which way it will go.

The risk of harmful UK-EU red tape, the fear of tariffs and reduced access to skilled EU shipping workers should be enough for each side to back down from some of the brinkmanship which has bubbled up post referendum, and which will likely hog the headlines during the next two years.

# SOMALI TINDER AND SPARK

When the small tanker, “Aris 13” was hijacked off Somalia last month the news was greeted with calls for action, criticisms and concerns. Many industry experts stated the first hijacking of a commercial ship off Somalia since 2012 was just waiting to happen.

## HIJACK WAITING TO HAPPEN

Alas, it seems, too many ships are starting to cut corners when it comes to security in the Indian Ocean, both literally and metaphorically. Vessels are heading closer to the shoreline of Somalia when transiting the area, shaving miles off their journey and saving fuel and time, but placing their crews, ships and cargoes into the line of fire.

There has also been a move away from the heightened security attitude and response of the early years of the decade. When Somali piracy was at its height, there was a rush of activity in the shipping industry. Rules and best management practices were developed, and many vessels began to have armed guards onboard. In short, shipping reacted strongly to the threat – and it worked.

While there has not been a successful hijack of a commercial vessel in the region for 5 years, attacks have continued. However, a combination of luck, preparation and a diminished pirate playbook have kept ships safe. It seems that could now be set to change.

## NO FIX ASHORE

Conditions ashore in Somalia have resolutely not been “fixed”. Life for Somalis is as hard now as it has been for decades. So, it seems that piracy was always likely to return. Young Somalis were going to be tempted back to sea, not just for fish but for a human catch.

Kidnap and ransom worked well, so the temptation has remained and any weaknesses in the response to that could be starkly exposed. The “Aris 13” hijack has shown what happens when the guard drops – when complacency creeps in and when chances are taken.

The vessel was too slow, too low and in a place that ships shouldn’t go. They were skirting, literally, too close to the flame, and got burned. The vessel, with its cargo of oil and crew of 8 seafarers was attempting to cut through the “Socotra Gap” — between the tip of Somalia and the island of Socotra. A risky move indeed.

This route is used by vessels traveling down the east coast of Africa to save money and time, but with a significantly increased threat of piracy. As well as dangerous routing, “Aris 13” sat low in the water, with a freeboard of just 3 meters. This obviously made it easier for pirates to board the ship. The ship was slow too, travelling at just 5 knots. Almost a sitting target, and certainly an attractive one.

## SWIFT CONCLUSION

Thankfully the hijacking was soon over. Seemingly once the pirates realised the vessel was on charter to powerful Somali businessmen, they rescinded their ransom demand and released the vessel. However, this is quite literally a shot across the bow for shipping.

There have been some who have seen the “Aris 13” attack as more of a local “commercial” dispute. Whatever the exact nature of what sat behind it, the fact remains that pirates have proven they have the capability to attack and to capture vessels.

This capability was further strengthened last month when news emerged that a dhow had also been hijacked. There were real concerns that pirates were once again going to have a larger scale “mothership” off the coast, from which to launch attacks.

A report from the UK Maritime Trade Operations (UKMTO) centre stated that the hijacked dhow was soon released, after the pirates stole a skiff, food and diesel from the vessel. Again another example showing that pirates can take vessels when they so choose.

## STILL TARGETS

So we see that vulnerable vessels are still targets, and those who do not take the right actions will likely be hijacked. Somalis still have the will and the capability to take ships, and as famine begins to hit ashore, and foreign fishing fleets Hoover up off the coast, then it seems the conditions are remarkably similar to the last surge of Somali piracy.



IMAGE: BBC

There has been a flurry of experts, organisations and charities all clamouring to stress the very real danger that we will see another spike in Somali piracy. There are concerns that the tinder has been waiting for a spark, and this could be it.

So industry has been urged to reawaken to the threat, to ensure best management practices are followed, and not to take chances. There should be no short cuts, no placing vulnerable vessels in dangerous positions, and crews should be protected and supported.

Without such a response, the “Aris 13” will not be the only ship taken this year – and there are very real concerns about the fact that complacency, and the desire to take short cuts is impacting maritime security.

## HOTSPOTS HEATING UP

As usual, there are other maritime security and piracy problems and hot spots to consider. Abu Sayyaf in the Philippines continue to make a nuisance of themselves, and have been capturing vessels which pass close to their strongholds in the south of the country.

A pair of seafarers captured by Abu Sayyaf has something of a lucky escape, quite literally. A captain and chief engineer being held by the group managed to escape with the help of military intervention.

The Philippine military has been pushing into terrorist territory in Basilan in the southern Philippines, and in the wake of one ferocious encounter. The seafarers managed to make good their escape.

Getting lucky is not good enough though – and it seems clear that further action is needed to stymie the spread and control that Abu Sayyaf is exerting in the region. Increasingly crews and ships are being attacked, and aside from the odd daring escape, lives are being lost.

## SECURITY SHAME

Over in West Africa, it seems that it is not just pirates which are the problem. There are serious issues with the very way in which maritime security is managed and implemented.

According to a new report, about 31 ports, jetties and terminals in Nigeria are currently not yet compliant with the International Ships and Port Facility Security (ISPS) Code, thereby making them unsafe for marine operations.

Director-general of the Nigerian Maritime Administration and Safety Agency (NIMASA), Dr. Dakuku Peterside last month revealed that Nigeria currently has ISPS Code compliance level of almost 80 per cent.

Which, of course, is not good enough. It seems clear that there is much work needed to be done in Nigeria when it comes to security. For a nation which fighting on a number of fronts, this is just another problem to add to the pot. With insurgents, terrorists, pirates and internal politics ravaging the nation, it seems that seafarers, shipping and trade remain vulnerable.

# WORKING ON A BLOCK CHAIN GANG

You can tell a lot about a person by the company they keep. You can also seemingly tell a lot about a business, and indeed an industry, by the profile of the people who become elevated to its highest echelons.

## JOINING THE BLOCKCHAIN PARTY

Last month it was announced that Maersk and IBM are collaborating to use blockchain technology to help “transform the global supply chain”. So far, so modern, cool and intriguing.

However, it seems that such moves are going even deeper into the core of what it is to be a “shipping” company in this modern digital age. This is not just about finding ways of operating efficiently, it seems this is a shift in the very core of container trade.

According to Maersk, blockchain technology will be made available to the shipping and logistics industry to help manage the paper trail of tens of millions of shipping containers across the world by digitising the supply chain process from end-to-end.

It is expected to enhance transparency and facilitate secure sharing of information among trading partners. It is designed to help reduce fraud and errors, reduce the time products spend in the transit and shipping process, improve inventory management and ultimately reduce waste and cost.

## NEW BROOMS CLEANING UP

That all sounds good – but they are not stopping there. In fact, so seemingly committed to this new way of operating the shipping giant is even changing its boardroom profile to make sure that it can take full advantage.

This has resulted in A.P. Møller - Mærsk electing Jim Hagemann Snabe as chairman of the board. Snabe, who has been dubbed in the press as “Europe’s leading industrialist”, is former CEO of German software house SAP – and also worked at IBM. Unsurprisingly, Snabe is committed to automation technology, and so is well placed to bring the dream of making it as easy to book a container as booking an airline ticket.

Hagemann Snabe will oversee a restructuring plan which was established by Chief Executive Soren Skou last year. If anyone has doubted the push towards a digital shipping industry, this should remove any doubts.

This is a fascinating development and really shows the direction in which shipping is going. It is similar in

some ways to the fact that Liverpool Football Club has appointed a veteran of the digital gaming world as CEO. It shows the way an industry is going, and highlights the way old things become new commodities.

## ALL THE GEAR NO IDEA

With Snabe, Maersk and IBM leading the charge, it seems that the industry is perhaps poised at a change not seen since steam overtook sail. What though does it all mean for smaller players and those who rather like the status quo?

Well, the great thing about technology is that usually it ends up as being a “democratising” force. After the bugs are ironed out, when scales of economy make the equipment cheaper, then suddenly it becomes a level playing field.

So while today it is the giant companies leading the charge, it could ultimately be that the smaller, niche carriers are eventually able to chip away. A system which makes booking freight a simple online transaction could mean that cargo owners become more sophisticated in the choices.

It could also mean that a new transparent world of standards opens up. In a world where business is conducted like Tinder, swiping on your iPhone to match cargo with vessel. Then suddenly people, the end users and consumers may just wonder about the crew, the vessel, the track record.

## BACK TO THE FUTURE

In this new world of data driven decisions, hitherto hidden or complex issues could be about to burst forth onto people’s screens. It is not certain that the industry is quite ready.

Indeed, results from a survey carried out by Futureautics Maritime in association with Ericsson, not only make plain the digital revolution sweeping shipping, but they also show the sheer scale of confusion surrounding this rapid transformation.

The global shipping industry and its suppliers have long been considered “conservative” in their approach to digitisation. Suddenly though, the charge being led by Maersk seems to be become irresistible.

According to the survey 85% of ship operators, suppliers and industry stakeholders globally believe that digital initiatives are of the most, or highest importance to the financial or market success of their organisations. The figure amongst ship operators was 73%.

## PENNY IS DROPPING

The penny seems to be dropping and it is making a loud noise in the boardrooms of shipping companies. There is

now a race to ensure that shipping is ready and fit for the future, which is not something which has always been the case.

In the survey, shipping executives were asked to characterise their organisation’s digital strategy, and the words they used are interesting. Overall three-quarters described it as either “Digital Transformation” or “Digital Reimagination”.

In an industry which has resisted change, which fought tooth and nail against long range tracking and identification, and which distrusted the very concept of AIS. Suddenly there are radical changes to business processes. There are whole new business models, new digital products and services and new segmentation and customer channels were being created.

This is change on a scale and at a speed which has never hit shipping before. This is not about some new legislation which is factored in over years – this is about real time change and the demands of clients, and the progress of competitors. There can be no turning back now the digital starting gun has fired.

## CHANGING STORY

The findings mean that we need to think again about the reality in shipping company boardrooms. There had been a slight sense that ship operators and maritime suppliers had no interest in digital transformation. That view is seemingly wrong, and dramatically so.

So we see an industry that now recognises just how critical it is. These companies are transforming and “reimagining” their businesses. They are investing in change, and throwing themselves into the digital revolution.

It is not all good news though – naturally, as with any rapid change, there are some who feel left behind and are perhaps floundering a little. According to the survey, there were many industry leaders who felt their companies were overwhelmingly “ill-equipped to navigate the developing digital economy”.

This is the concern then, ships need to remain safe, secure and efficient – all the same, age old pressures apply. But there is a Damoclean Sword hanging over seafarers, ships, companies and the very industry. This makes shipping vulnerable to disruption from new, technology-centric competitors. Something which is a concern to not only the industry but for national governments too.

You can access the report, survey and a white paper on the digital revolution in shipping here:

<http://www.futureautics.com/waypoint-digital/>

# SHIPOWNERS' LIFE OF PIE

**“Pity the poor shipowner” is a phrase that is often rolled out. Thankfully though it seems that with confidence in the market, some clarity finally emerging when it comes to emissions and ballast, then suddenly things are looking a tad brighter. Even more so when you see the world’s Rich List.**

## CONFIDENCE TRICKS

First up, let’s see how the market feels. It seems that after a series of shocks and bumps in 2016, that shipping confidence is finally beginning to hold steady. In the three months to end-February 2017, confidence has remained static.

According to the latest Shipping Confidence Survey from international accountant and shipping adviser Moore Stephens, the average confidence level expressed by respondents was 5.6 out of 10.0, unchanged from the previous survey in November 2016 and equal to the highest rating since August 2015.

Owners were the only main category to show an improved level of confidence, up from 5.4 to 5.6. Confidence on the part of charterers was down from its all-time survey high of 6.8 to 5.9, while that of managers fell from 6.4 to 6.0. Confidence levels in the broking sector, meanwhile, dropped from 5.6 to 4.6.

The survey launched in May 2008 with an overall confidence rating of 6.8 – since then it has proven to be a valuable barometer of how the market is shaping, and responding to challenges.

## COMPETITION ON THE RISE

The issue of competition is something that has continued to rattle respondents. They generally felt that competition was running at very high levels. “Competition is so intense at the moment,” said one respondent, “that you either accept what is offered or a competitor will take the cargo.”

While other familiar concerns included overtonnaging and “geopolitical uncertainty” were making themselves felt. Most respondents saw 2017 as a year of retrenchment rather than improvement.

One said, “If owners can maintain their discipline and resist the blandishments of shipyards desperate for business, there is hope that 2018 will see a return of market equilibrium, in which continued scrapping remains a key element.”

Another, meanwhile, noted, “The current state of most shipping markets, coupled with the weakness of banks, means that conditions should be more attractive for alternative lenders.”

The issue of the costs of borrowing were an issue. A number of respondents expected finance costs to increase over the coming year rose by one percentage point to 54%, the highest level since November 2011. Owners’ expectations of increases fell from 58% to 57%, while the figures for brokers were also down, from 53% to 41%. Managers were of a different mind, with 61% expecting increases as opposed to 52% in November 2016.

**The full degree of confidence can be assessed by seeing the report on the Moore Stephens website:**

**<http://www.moorestephens.co.uk/news-views/march-2017/shipping-confidence-industry-political-pressures>**

## MONEY MAKETH THE MAN

All this talk of money and high finance perhaps means we should turn our attention to the rich within shipping. Among the top 500 in the annual Hurun Global Rich List published last month which details all of the world’s billionaires and there’s a fair show from shipping.

In terms of shipping-related people within the top 500, in joint 32nd position with \$25bn to his name is Hong Kong’s Li Ka-shing, whose range of interests include retail, property, telecoms and terminals in the form of Hutchison Port Holdings.

Other shipping money comes in with Lakshmi Mittal, who heads up steel mill ArcelorMittal. Mittal is in 98th spot with \$12bn – obviously not all from shipping, but ArcelorMittal Shipping is a very active charterer. While one billion dollars behind is Norway’s John Fredriksen who had a tumultuous 2016, with his fishing investments propping up losses in shipping and offshore.

Listed with \$10bn is Klaus-Michael Kuhne, the chairman at logistics giant Kuhne + Nagel as well as a key investor in Hamburg-based containerline Hapag-Lloyd. Up next is Mickey Arison from Carnival Cruises who is listed in joint 165th with \$7.9bn While Zodiac Group’s Eyal Offer and the Maersk McKinney Moller family are side by side in the billionaire chart, both on \$6.6bn. Merlin Swire and family are a billion behind, while bringing up the rear within the top 500 is Dennis Washington of Seaspan fame on \$5bn.

## WAVING FLAGS NOT MONEY

After all the waving of cash, it has been a month which has seen rather a lot of flag waving, especially from the Marshall Islands. The flag State has become the second largest in the world, leap frogging Liberia.

At the start of the 2000s Bill Gallagher and Clay Maitland, via their firm International Registries, Inc (IRI), parted ways with the Liberian registry.

They had played a major part in building the flag up and were on the hunt for new opportunities.

They managed to alight on the Marshall Islands, a similar US-friendly territory from which to base a new shipping flag. The flag, via the RMI Registry, then set about building up a global network of offices and enticing owners from across the world.

All of which has proven incredibly successful, and as of last month IRI can now boast a flag larger than Liberia’s, placing it second in the world behind Panama. The flag today stands at 223.26m dwt, just over 2m dwt in front of rival Liberia. Panama is out in front with 340.14m dwt.

## IN OTHER STATES

While it may be a time of celebration in Majuro, and one of reflection in the offices of the Liberian flag – elsewhere key shipping nations have been busy too.

For the Greek flag, it has been a tough time. The removal of 62 vessels from the Greek ship register within the space of a year highlights the Greek flag’s declining competitiveness.

Along with the losses observed in 2015, the Greek register appears to have shrunk by 100 oceangoing ships in just two years. Although the Greek-owned fleet remains the world leader in terms of both ship numbers and capacity, the Greek flag has dropped to third among those that Greek shipowners prefer, according to the annual report of the Greek Shipping Cooperation Committee in London.

While for Panama, they are so far ahead in the flag State stakes that it is hard to ever see them being dethroned. So instead, we can look to another landmark in this most maritime of nations – and the fact that last month the Panama Canal Authority welcomed the 1,000th Neopanamax vessel through the waterway, less than nine months after the inauguration of the Expanded Canal.

# LOOKING BACK AND FORWARD ON MARITIME SAFETY

Last month saw the 30th anniversary of the loss of the “Herald of Free Enterprise”. A tragic loss which saw the deaths of 193 people. Looking back over the decades it is interesting to see the change in shipping, and so too the worryingly familiar.



## REMEMBERING THE LOSS

30 years ago last month the sun rose over Zeebrugge in Belgium to reveal the horrific sight of the capsized “Herald of Free Enterprise”. On the evening of 6th March 1987 the Townsend Thoresen branded RORO passenger and car ferry owned by European Ferries capsized shortly after sailing.

The ferry left the Belgium port of Zeebrugge bound for Dover. At 7:20 the Herald passed out of the inner breakwater and in to the shipping channel, by 7:28 she had capsized as the bow doors had been tragically left open.

A most tragic string of errors, from sleeping crew to a lack of alarms meant that one mistake could have the most fatal of consequences.

The ferry went over with the loss of 193 people, which led to new international regulations and the formation of the Marine Accident Investigation Branch (MAIB).

It remains the most fatal peacetime maritime disaster involving a British ship since the sinking of the “Iolaire” in 1919. While there have been undoubted improvements in safety, the loss of the South Korean ferry “Sewol” shows there is still much work to be done.

## RAISING OF THE SEWOL

The “Sewol” has been in the headlines again this month, as it has been raised from the sea bed in a mammoth salvage operation. The raising comes just three years after it sank in one of South Korea’s deadliest disasters.

The Sewol sank off the south-western island of Jindo on 16 April 2014 killing 304 people, almost all school children on a trip. It has been winched to the surface and a platform inserted under it for it to be towed ashore.

The bodies of nine victims are believed to still be trapped inside the sunken ship, and raising it was one of the central demands of their families. The South Korean government has been under intense pressure regarding the loss of the vessel, and eventually bowed to pressure to raise the 6,825 tonne vessel, one of the most complex operations ever attempted.

As with both the “Sewol” and “Herald”, lessons were learned, improvements made and efforts have gone into remedying what went wrong. We continue to lock the stable everytime the horse bolts. Perhaps though it is time for real change, not just reactive sticking plasters over the broken bones of maritime safety?

## MAKING PROGRESS

With all the talk of blockchains and digitisation, as we have covered this month, it can perhaps be hard to immediately see what that could mean for safety and of how the new business model could make shipping truly safer.

There are signs though, that this could really be the paradigm shift that has been promised so many times before. Finally, we could see change that gets us ahead of the curve instead of always playing catch up and being caught out by disaster and tragedy.

The secret to any potential safety improvement from the blockchain is there are no secrets in the blockchain. Transparency and data becomes everything – there will be no hiding place, and that should improve safety and operations. With transparency comes scrutiny. The eyes of charterers, lawyers, insurers and society will be on shipping.

Everyone will see what has gone on and what is going on, and with such powerful data and oversight – then suddenly there can be no shortcuts, no excuses and room to get things wrong.

## THE QUANTUM LEAP

This new way of conducting business suggests that shipping should will be expected and required to make an operational “quantum leap” in technology adoption over the next 10 years.

Even today new ships are built with ever more automation and IT systems, and that will only increase as we move ahead. However, this leap needs to be matched by the expertise to use and leverage it. So there are calls to ensure that the people and systems necessary are in place.

Anglo Eastern Group’s Capt Pradeep Chawla has called for shipowners to train seafarers to use the technology now. He is managing director for quality, health, safety, training and the environment at the shipmanagement group, and so these are the demands and decisions which shape his every day.



According to Captain Chawla a greater adoption of IT technology in shipping will help the shipping sector to attract a new generation of high-tech seafarers. The fact that it may also help to head off accidents, losses, and claims is also attractive.

## NEW ROUTES

Some problems for ships may seem even less surmountable than training issues or getting the basics of safety right. Put simply some shipping routes are more dangerous than others.

The answer then? Give shipping alternative routes. So it was that the world’s first ship tunnel under a mountain has been given the green light on the remote western coast of Norway.

This comes after a national debate lasting more than a century, but finally Ministers have agreed the Stad tunnel will be blasted through a mile of rock at a cost of about US\$320 million.

The tunnel, which is likely to take a decade to build, will mean that ships can avoid navigating around the Stad peninsula, where 33 lives have been lost in stormy seas since the end of the Second World War.

# MONTHLY NEWS ROUND-UP

*Some of the maritime news stories which have also caught our eye this past 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](mailto:sjones@seacurus.com) for details*

**Biggest Box Ship Launched** - Mitsui O.S.K. Lines (MOL) has taken delivery of the world's largest container ship, MOL Triumph, from Samsung Heavy Industries. The vessel has a capacity of 20,170 TEUs and will be deployed in THE Alliance's Asia to Europe trade via the FE2 service. MOL Triumph will set off on her maiden voyage from Xingang in April 2017 and will sail to Dalian, Qingdao, Shanghai, Ningbo, Hong Kong, Yantian and Singapore. She will then transit through the Suez Canal and continue on to Tangier, Southampton, Hamburg, Rotterdam and Le Havre. She will then call at Tangier and Jebel Ali on the way back to Asia. <https://goo.gl/cyYOMy>

**Hapag-Lloyd Restores Profits** - Hapag-Lloyd recorded a profit of \$46m in the final three months of 2016 – a recovery too little too late to prevent the carrier suffering a full-year net loss of \$103m. Chief executive Rolf Habben Jansen said 2017 had “got off to a good start”, but a sustained recovery was “not going to be a quick fix”. He said: “We expect some market improvement in 2017, but our success will largely depend on our ability to achieve more sustainable freight rates.” There was a more optimistic outlook due to “supply and demand starting to come closer together”, he suggested. <https://goo.gl/GZSQnH>

**Shipbuilders in Loan Fraud** - Bohai Shipbuilding Heavy Industry, an affiliate yard of state-run China Shipbuilding Industry Corporation (CSIC), has been involved in a loan fraud case which is currently under a court trial in Liaoning. Xu Guohong, former president of Bohai Shipbuilding's ship repair subsidiary, and another two senior officials of the company are alleged to have made a series of fake sales contracts with the yard's affiliate companies between 2011 and 2014 in order to secure loans of up to RMB3.9bn (\$567m) from two local commercial banks. <https://goo.gl/QSMqhl>

**Five Acres of Coral Ravaged** - Indonesian maritime authorities have reached an agreement with insurers on the extent of the damage from the grounding of the Caledonian Sky, a British-owned vessel that struck bottom in Raja Ampat, a group of islands and coral reefs in West Papua. A joint survey team estimated that the Sky destroyed about 13,300 square meters of coral and inflicted “medium damage” on an additional 5,600 square meters – an area totalling to nearly five acres. The damage assessment is much larger than an earlier survey by academic researchers, and the government warned that it could worsen. <https://goo.gl/ESKdff>

**Drugs Found on Box Ship** - Some 453 kilos of drugs was found on board a containership at the Port of Santa Marta, Colombia, the country's Office of the Attorney General said in a statement. Cocaine hydrochloride, believed to be worth around USD 27 million, was discovered on Hammonia Emden which is owned by German shipping company Hammonia Reederei. According to the Office of the Attorney General of Colombia, the cocaine may belong to Clan de Gulfo, a drug-trafficking paramilitary group. The cocaine was found in 18 bundles hidden on the 2006-built Hammonia Emden and destined for Europe. <https://goo.gl/RZuVgk>

**Marigold's Bottom Scrubbed** - The bulk carrier DL Marigold was ordered from both New Zealand and Fijian waters earlier this month for being an invasive species threat. The vessel's hull is now being cleaned by a team of divers from New Zealand in international waters off Fiji. “Offshore locations are not ideal,” says Dr Rob Hilliard, biofouling consultant and principle at Intermarine Consulting. “Presumably it was considered the best option in this case by DL Marigold's operators given its cargo constraints and distance to alternative ports where the fouling poses a lower, acceptable biosecurity threat.” <https://goo.gl/bmNO88>

**Early Ship Wake up Call** - A mystery ship's horn has woken the city of Melbourne from one side of the bay to the other, leaving them fuming over the unwanted Monday morning wake-up call. The horn went off for about 20 minutes at 5.15am, and could be heard by people from Newport to Hampton. Frustrated Melburnians took to social media to vent their anger over the unwanted wake-up call. Twitter user Lachie McDonald wrote: “Has half of Melbourne been woken by this ship horn? It's out of control.” Journalist Grant McArthur, was woken up. “What the hell is going on with that ship horn — has the rest of Melbourne been woken up as well,” he tweeted. <https://goo.gl/PT71b6>

**Digitising Nav Warnings** - The E.U. project EfficienSea2 is testing a newly proposed standard for digitalizing navigational warnings that is expected to make it easier for seafarers access information and navigate safely. The system is based on the International Hydrographic Organization's (IHO) S-124 draft standard for Navigational Warnings. The Danish Maritime Authority (DMA) is leading project which will be applied to Navigational Warnings and Notices to Mariners, and the new standard could be a global reality within a year. Project Manager Mads Bentzen Billesø says the implementation of a common standard will make navigation safer. <https://goo.gl/Is6xZJ>

**Owners Accused of Tax Evasion** - The Norwegian Shipowners' Association has rejected claims by the Offshore Marine Services Association (OMSA) in the US that Norwegian owners of offshore construction vessels operating in the Gulf of Mexico are engaged in tax evasion. US Customs & Border Patrol (CBP) recently announced its intent to revoke several letter rulings that were said to be “inconsistent” with the Jones Act. OMSA claims earlier rulings “allowed foreign vessels using cheaper foreign labour” that pay “little or no taxes in the US or in their home jurisdictions” to stifle US maritime investment and job creation. <https://goo.gl/4PONRm>

**Stubborn Seafarer Beaten** - A crew member aboard a ship docked in Bali's Benoa Harbor got jumped by five other crew because his colleagues apparently didn't like how he was conducting himself. The violent incident was reported to the Harbour Police. The seafarer known as “M”, 45, was attacked by his mates, beaten with their bare hands and kicked on the ground. “The victim was slapped, punched, and kicked repeatedly until he suffered a number of contusions,” police stated. After the report was filed five alleged attackers were arrested and claimed “M” was “too stubborn”. The attackers could face seven years behind bars under Indonesian law. <https://goo.gl/jVMW3I>

**US Issues Ballast Clarification** - The US Coast Guard (USCG) has issued a clarification over its policy on granting extensions for ship owners to comply with the new ballast water management (BWM) rules. Those rules require ship owners to use one of the USCG's approved BWM methods, one of which is to install and use a US type-approved BWM System (BWMS). USCG has, for several months now, been issuing type-approval certificates for BWMS which meet a higher standard than those of the International Maritime Organization (IMO). <https://goo.gl/0sy0e8>

**Owners Wary of Sulphur** - Shipowners are growing wary ahead of the 2020 sulphur cap decided by IMO and have chosen to adopt a “wait and see” approach, before they make any hasty decision. In its latest weekly report, shipbroker Gibson began its analysis by noting that “the date is sometime in 2020, the event is the annual Alternative Fuels award ceremony held in front of a packed auditorium full of stakeholders covering representation from shipowners, refiners and the oil majors. The audience is eagerly anticipating the announcement of the coveted winner. The best newcomer Oscar went once again to LNG, still not quite worthy of the big prize.” <https://goo.gl/0tYrIY>

**Ferry Stranded by Breath Tests** - Passengers were left stranded on an island after an early-morning ferry was suddenly removed from service because several crew members had allegedly failed breath tests. Paul Graham was among those waiting to board the 7am Caledonian MacBrayne vessel from Port Ellen, Islay, to Kennacraig on Tuesday when the sailing was cancelled. Mr Graham, a member of Islay and Jura Marketing group, from Bruichladdich, Islay, said: “At 6.35am I noticed a chap in a white shirt wander into the office and come out with a bag and quickly realised it was a breathalyser that was going on to the vessel.” <https://goo.gl/KdWx2T>

**Creating Sustainable Industry** - InterManager, the third party and in-house ship managers trade association, has called on the maritime professionals to create an industry that works for everyone in order to maintain sustainability. Speaking at its round table event during the second European Shipping Week on Monday, Capt Kuba Szymanski, Secretary-General of InterManager, urged ship managers, technology companies, regulators and training institutions to be fully committed to a sustainable initiative. “The maritime industry is used to strong winds and high seas but we must not neglect the whole chain” Capt Szymanski told participants. <https://goo.gl/2dKCTy>

**iPad Assisted Collision** - The UK Marine Accident Investigation Branch has issued its report into last year's collision between a historic motor launch and a DFDS roll-on/roll-off ferry on the Humber River, identifying a number of safety issues including the launch skippers' reliance on an iPad app for navigation. On May 16, 2016, the Danish registered ro-ro freight ferry Petunia Seaways and the wooden motor launch Peggotty collided on the River Humber while in dense fog. The motor launch was severely damaged in the collision, causing the vessel to take on water and sink. No injuries or significant pollution was reported. <https://goo.gl/JvTc6d>



# SEACURUS BULLETIN

[WWW.SEACURUS.COM](http://WWW.SEACURUS.COM)

---

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

---