Southampton SOLENT University

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*The **Global Maritime Weekly Digest**, based at **Southampton SOLENT University**, provides a regular flow of maritime news and analysis, of significance in a global context.*
Topics covered include shipping fleets and management, seaborne trade, ports, shipbuilding, ship recycling, maritime policy and regulations, and seafarers' labour.

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Editorial comments

- A detailed set of ideas for advancing ***ocean sustainable development*** has been published by a leading maritime organisation (item 1). The report focuses on business growth and investment opportunities for responsible, sustainable ocean use.
- More attention is being given to ***reducing pollution from ships in China***, especially sulphur emissions (item 5). Projects are under way to promote a 'green corridor' between Australia and China, for which LNG (liquefied natural gas) dual-fuel large bulk carriers are being designed to transport coal and iron ore.
- Signs of ***strengthening global shipping markets*** are emphasised by many observers and analysts, but is this positive outlook entirely justifiable? Some commentators are not convinced and adopt a more sceptical stance. They question whether demand for shipping services is really set to stay on a continued upwards trend, and criticise unsubstantiated optimism (item 7).
- In one sector there have been clear signs of recovery. An ***upturn in the bulk carrier market*** has evolved over the past two years (item 1). But, despite some encouraging developments on both demand and supply sides of the balance, potential for further improvement is still debatable after seven years of struggling to achieve consistent profitability for shipowners.
- The UK's expertise in ***professional maritime services*** is valued around the world. According to the main industry promotional body, there is no obvious indication of large negative repercussions for this sector emanating from the country's decision to leave the European Union (item 6).

Richard Scott MA MCIT FICS
editor (email: bulkshipan@aol.com)
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(1) Clarksons Research, 2 March 2018

Dry Bulk Market Getting Airborne: Time To Fly?

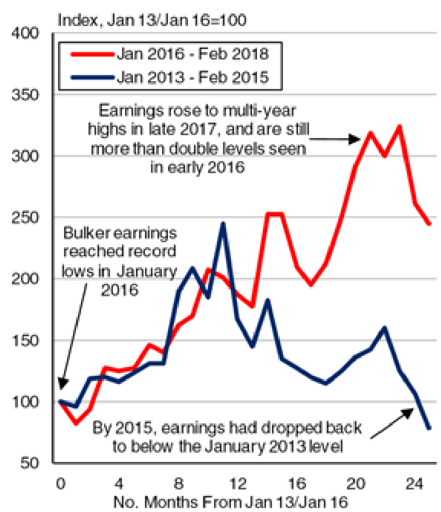
In 1896, Wilbur and Orville Wright began to experiment with flight in their bicycle shop in Dayton, Ohio. But it was another seven years until the brothers successfully flew the world's first powered aeroplane, with the maiden flight lasting just 12 seconds. Today's bulkcarrier owners, holding out for loftier earnings, would likely empathise; getting airborne, and staying there, is a real challenge.

Back To Earth With A Bump

The bulkcarrier market has also been struggling for lift-off for seven years. Since the start of 2011, earnings have averaged $9,475/day, hardly a sky-high performance. In early 2013, the market was reeling from four years of double digit fleet growth, with average bulker earnings in January standing at $7,077/day, the lowest level since late 2008. However, 2013 initially seemed like a turning point. Earnings improved during the year, and sentiment became palpably more positive. But it wasn't to last. Over the next few years, earnings were eroded once more, and had dropped to a new record low by early 2016. However, the market improved over the course of 2016, just as in 2013. Further gains were made in 2017, with earnings last year averaging $10,986/day, the highest level since 2011. With owners hoping that the recent gains will prove more sustainable, what happened after 2013 to bring the market back down to rock bottom just a few years later?

Graph of the Week

Stronger Tailwinds? Bulker Earnings Find Some Support



Source : Clarksons Research

The graph shows an index of average weighted bulkcarrier earnings each month, in January 2016 to February 2018 (indexed to January 2016=100), and January 2013 to December 2015 (indexed to January 2013=100). Timeseries of bulkcarrier earnings are available on *Shipping Intelligence Network*.

A Holding Pattern

Firstly, supply-side pressure remained prominent. Deliveries did slow in 2013, but at 63m dwt represented the fourth highest annual total on record. Deliveries subsequently remained at a still significant 49m dwt p.a. in 2014-16, after contracting reached a robust 167m dwt in 2013-14. However, supply trends appear more encouraging this time around. Deliveries slowed to 38m dwt in 2017, and are projected to ease further to c.25m dwt in both 2018 and 2019, following two years of more subdued ordering. Perhaps owing to greater investor caution, finance constraints or retrenched shipyard capacity, ordering in 2016-17 was 70% lower than in 2013-14, at 51m dwt.

Flights Grounded

The demand side has also had an impact. Despite reasonably firm growth of c.6% p.a. in dry bulk trade in 2013 and 2014, expansion then started to slow dramatically, and total trade volumes remained flat in 2015, the worst performance since 2009, and contributing to a renewed build-up of surplus capacity. However, dry bulk trade growth picked up in 2016 to 2%, and again to 4% in 2017.

Earning Your Wings
So, some gains in the bulkcarrier market have been made in the last two years, and so far, they have largely held. What heights can be reached is open to debate; the supply side is looking more manageable, and demand trends seem supportive, although demand shocks are of course, by nature, hard to predict. The Wright Brothers knew well that finally getting airborne took time; and while the bulker market is clearly not yet at cruising altitude, after a prolonged struggle it seems that it may, for now, have at least managed to stay clear of the ground.
Source: Clarksons
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(2) IMO, 5 March 2018

MARPOL amendments enter into force - ship fuel oil reporting requirements, garbage classification and IOPP certificate

Amendments to MARPOL Annex V on Prevention of pollution by garbage from ships entered into force on 1 March 2018.

Requirements for ships to collect data on their fuel oil consumption entered into force on 1 March. Other important amendments to the International Convention for the Prevention of Pollution from Ships (MARPOL) have also entered into force, covering the classification of garbage, including the addition of a new category of “e-waste”, and amendments to the International Oil Pollution Prevention Certificate.

Ship fuel oil consumption data reporting requirements

The ship fuel oil consumption data reporting requirements are the latest mandatory requirements aimed at enhancing the energy efficiency of international shipping.

The data collection will begin on 1 January 2019 with data reported at the end of each calendar year to the International Maritime Organization (IMO), the United Nations agency with responsibility for regulating the safety, security and efficiency of shipping and preventing marine and atmospheric pollution from ships.

The data collection system is intended to equip IMO with concrete data on fuel oil consumption, which should assist Member States in making decisions about any further measures needed to enhance energy efficiency and address greenhouse gas emissions from international shipping.

The mandatory requirements were adopted by IMO’s Marine Environment Protection Committee (MEPC) in 2016, through amendments to chapter 4 of annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL).

Under the new Regulation 22A on Collection and reporting of ship fuel oil consumption data, ships of 5,000 gross tonnage and above are required to collect consumption data for each type of fuel oil they use, as well as other, additional, specified data including proxies for transport work. These ships account for approximately 85% of CO_2 emissions from international shipping.

The aggregated data will be reported to the flag State after the end of each calendar year and the flag State, having determined that the data has been reported in accordance with the requirements, will issue a Statement of Compliance to the ship.

Flag States will be required to subsequently transfer this data to an IMO Ship Fuel Oil Consumption Database. IMO will be required to produce an annual report to the MEPC, summarizing the data collected.

In addition, on or before 31 December 2018, in the case of a ship of 5,000 gross tonnage and above, the mandatory Ship Energy Efficiency Management Plan (SEEMP) shall include a description of the methodology that will be used to collect the data and the processes that will be used to report the data to the ship's flag State.

The new mandatory data collection system is intended to be the first in a three-step approach in which analysis of the data collected will provide the basis for an objective, transparent and inclusive policy debate in the MEPC, under a roadmap (through to 2023) for developing a “Comprehensive IMO strategy on reduction of GHG emissions from ships”. The roadmap was agreed in 2016.

The next stage in the process will see an initial GHG strategy expected to be adopted by the MEPC at its 72nd session (9-13 April 2018). The MEPC session will be preceded by the third session of the Intersessional Working Group on Reduction IMO of GHG Emissions from Ships (3-6 April).
The initial strategy is expected to include, inter alia, a list of candidate short-, mid-, and long-term further measures, with possible timelines, to be revised as appropriate as additional information becomes available. The data collected under the mandatory reporting system will help inform the MEPC when it comes to adopting a revised strategy in 2023.
In 2011, IMO became the first international body to adopt mandatory energy-efficiency measures for an entire industry sector with a suite of technical and operational requirements for new and existing vessels that entered into force in 2013. By 2025 new ships built will be 30% more energy efficient than those built in 2014.

Garbage requirements under MARPOL Annex V

Amendments to MARPOL Annex V on Prevention of pollution by garbage from ships also enter into force on 1 March 2018. They relate to cargo residues of products which are hazardous to the marine environment (HME) and Form of Garbage Record Book. In particular,

- Amendments to Regulation 4 and 6 of Annex V require the shipper to declare whether or not they are classed as harmful to the marine environment. A new appendix provides criteria for the classification of solid bulk cargoes.
- The Form of Garbage Record Book is updated. The Record of Garbage Discharges is divided into Part I for the use of all ships and Part II, required for ships that carry solid bulk cargoes.
- A new category of garbage "e-waste" is included. E-waste is defined in the 2017 Guidelines for implementation of MARPOL Annex V as electrical and electronic equipment used for the normal operation of the ship or in the accommodation spaces, including all components, subassemblies and consumables, which are part of the equipment at the time of discarding, with the presence of material potentially hazardous to human health and/or the environment.

Amendments to International Oil Pollution Prevention Certificate

Amendments to update Form B of the Supplement to the International Oil Pollution Prevention Certificate, in relation to segregated ballast tanks, also enter into force on 1 March 2018.
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(3) Hellenic Shipping News, 7 March 2018/ World Ocean Council

Maritime Clusters And Ocean Sustainable Development: WOC Analysis And Recommendations

The World Ocean Council (WOC) and Economic Transformations Group (ETG) are pleased to announce the release of a white paper on "OCEAN / MARITIME CLUSTERS: Leadership and Collaboration for Ocean Sustainable Development and Implementing the Sustainable Development Goals".
The paper highlights the need and opportunity to develop Ocean/Maritime Clusters as a key part of achieving ocean sustainable development, implementing the Sustainable Development Goals (SDGs) and advancing the "Blue Economy" and "Blue Growth". By combining purpose in innovation, competitiveness, productivity, profit and environmental benefits, Ocean/Maritime Clusters can lead ocean sustainable development and realize economic benefits.
Research and analysis of eleven Ocean/Maritime Clusters by ETG indicates that the way forward is to focus on business growth and investment opportunities for responsible, sustainable ocean use which considers the intersection of ocean economic benefits, environmental health and societal value in policies and best practices.
Eric Hansen, ETG President stated that, "Ocean/Maritime Cluster best practices enhance the exchange of knowledge and provide a platform for expansion of clusters to advance ocean business community leadership and collaboration and in achieving ocean sustainable development." He added that, "The case studies highlight Ocean/Maritime Cluster best practices which demonstrate success factors rooted in collaborative action, key partnerships with government support, and value-adding through innovation."
Key recommendations for organizations working to advance the role of the business leadership and collaboration in ocean sustainable development:

• Enhance and expand the role of ocean/maritime clusters in implementing sustainable development
• Accelerate the networking of ocean/maritime clusters for collaborative learning and action in support of sustainable development
• Support the development of ocean/maritime clusters for developing countries and small island developing states
World Ocean Council White Paper [PDF]
Source: World Ocean Council
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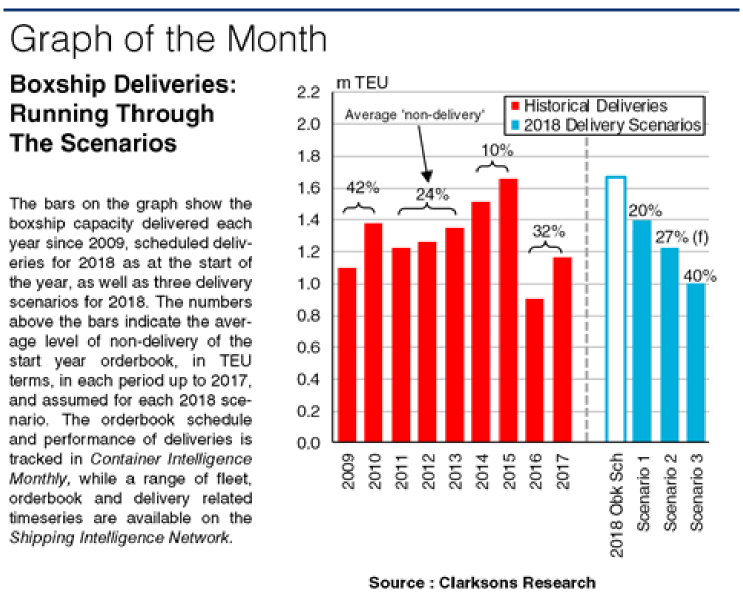
(4) Clarksons Research, 1 March 2018

Unwrapping The Containership Delivery Schedule

At the start of 2018, the boxship orderbook stood equivalent to 13% of the fleet in capacity terms, close to the lowest level on record. Despite this, a still significant 1.7m TEU of capacity was scheduled for delivery in 2018. As a key driver of supply side growth, the resulting rate of boxship deliveries this year will be important to the development of fundamentals in the containership sector.



Checking The Schedule
Following the record 1.7m TEU of boxship capacity delivered in 2015, deliveries were more subdued in 2016 and 2017. In fact, 2016 saw 0.9m TEU of capacity delivered, the lowest level in more than a decade, while deliveries in 2017 totalled 1.2m TEU. However, the 1.7m TEU of capacity scheduled for delivery in 2018 has brought tracking deliveries and the rate of fleet growth this year to the fore.
Peeling Back The Layers
Since the financial crisis, 'non-delivery' of the scheduled orderbook (through slippage or cancellation) has been prevalent across the ship types. This has reflected a range of financial and commercial pressures on owners and yards, as well as technical factors. In the boxship sector, non-delivery has been prominent in recent years, averaging 27% of the start year orderbook from 2009 to 2017. Non-delivery stood at over 30% in 2016 and 2017, and was most pronounced for vessels on order at Chinese yards in the sub#12,000 TEU size ranges, reaching almost 50% for these vessels in 2017.
Better Late Or Never
Should all 1.7m TEU of capacity scheduled for delivery in 2018 be delivered on time, it would theoretically lead to a record year for deliveries, as illustrated on the graph. However, a more realistic scenario includes the effects of continued non-delivery. The base case projection (scenario 2 on the graph) is for

non-delivery to remain prominent in 2018, but ease slightly alongside improving market conditions, with 27% of the start year orderbook currently projected to slip into subsequent years (or be cancelled). In this scenario, boxship deliveries in full year 2018 are forecast at 1.2m TEU, slightly higher than 2017 but still subdued compared to 2013-15. With the currently projected 0.33m TEU of demolition, this would drive fleet growth of 4.3% in 2018.
However, there are clearly a range of scenarios. A lower rate of non-delivery of 20% (scenario 1) would equate to 1.3m TEU of deliveries in the full year (leading to 4.8% fleet growth on the same basis). Alternatively, an increase in non-delivery to 40% (scenario 3) would lead to deliveries of 1.0m TEU (3.2% fleet growth).
The Gift That Keeps On Giving
Overall, boxship deliveries are currently projected to remain manageable in 2018, while still sensitive to non-delivery trends. Non-delivery in 2018 would have to halve to 16% (well below the average of the previous nine years) before fleet growth would outstrip growth in demand, basis current demolition and trade forecasts. Additionally, even if non-delivery were to fall, this would only serve to reduce expected deliveries in 2019. So, while the rate of non-delivery is important to watch in 2018, the limited overall orderbook should help to control supply side pressure as a whole in the coming years.
Source: Clarksons
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(5) Hellenic Shipping News, 19 February 2018/ Australia China Business Review

China shipping goes green

With China framing public health as a basic human right, the country's Marine Safety Administration is doing its part to curb the detrimental health effects of the shipping industry.

In a recent white paper, the Chinese government emphasised its commitment to protecting the health and well-being of the Chinese people.
"Prosperity for all is impossible without health for all," the white paper said.
"Health for all is a solemn promise to the people by the CPC (Communist Party of China) and the Chinese government."
While the report focuses on improvements to medical and health services since the party's 18th National Congress in November 2012, the sentiment of change and progress centred on well-being is evident in areas outside the direct remit of medicine and health.
With a 2016 study finding that ship emissions cause more than 24,000 premature deaths in East Asia – 18,000 of which were in China alone – the MSA has focused its efforts on ensuring ships comply with pollution prevention measures.
The MSA aims to ensure the Chinese fleet complies with international conventions such as the International Maritime Organisation's sulphur emissions regulation.
The regulation stipulates ships must reduce sulphur emissions from 3.5 per cent to 0.5 per cent by 2020, a contentious move that was nonetheless upheld by the IMO in 2016.
According to the IMO's head of air pollution and energy efficiency, vessels found to be non-compliant by 2020 could be detained or even rendered "unseaworthy", thus potentially affecting indemnity in the event of an insurance claim.
The message is clear, while the cost of emission reduction compliance on ships will be high, the cost of non-compliance will, quite literally, be paralysing.
In an effort to reduce the impact of ship pollutants, and to encourage IMO and domestic regulation compliance within its waters, China expanded its Domestic Emissions Control Areas earlier this year to include all ports within the Bohai-rim Waters, the Yangtze River Delta, and the Pearl River Delta.
This means all ships at berth must use low-sulphur fuels, or be fitted with equipment to reduce noxious emissions, while in the control areas.
The Chinese government, the marine authorities and local port cities use a combination of carrot and stick measures to encourage change.
Disincentives such as fines and the detention of ships face those deemed to be non-compliant through onboard ship and bunker note inspections or random fuel oil sampling.

Financial incentives in Shenzhen, in the south of the country, encourage at-berth fuel switching, promote the use of onshore power supply and back the use of liquefied natural gas.
China's aim to reduce ship emissions is encouraging; it is poised to be a leader in green shipping in the region, if not the world.
But key to the country's development is collaboration. Indeed, a European study on incentive schemes for promoting green shipping implores China to adopt a harmonised and collaborative approach to encourage shipowners/operators to reduce air pollution.
Collaboration is certainly not a pipedream.
The Chinese government's latest five-year plan aims to "put into effect the philosophy of innovative, coordinated, green, open, and shared development".
Chinese authorities clearly recognise the need to "open up" in order to integrate into the world economy.
As a regional neighbour, Australia has the opportunity to be an integral part of China's ever-deepening integration.
The shipping industry could be a major facilitator of change in this regard.
The LNG Marine Fuel Institute is a big believer in cross-national collaboration as the foundation of sustainable clean energy practice.
It is the basis of its engagement with key players in the LNG marine fuel sector and the reason it is a strong advocate of the Green Corridor.
The Green Corridor Joint Industry Project is a collaborative initiative to design a LNG dual-fuel Newcastlemax and very large ore carrier trading primarily between north-west Australia and China.
The LNG Marine Fuel Institute promotes, researches and produces timely and economically valuable studies to support LNG as a marine fuel in the Green Corridor between Australia and China.
We welcome and encourage the support and participation of Chinese companies in the institute.
Source: Australia China Business Review
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(6) Maritime UK, 19 February 2018

A full service offering

With the UK serving as a hub for all types of professional maritime services, the world looks to it as a benchmark for activity in the sector.

An unmatched history of excellence in the shipbroking, insurance, legal, arbitration, protection & indemnity and finance fields means that the UK is the first port of call for those seeking maritime business services of the highest calibre. More vessels are fixed through UK-based shipbrokers, more capital is provided through London's banks and funds, and more vessels are insured in Britain than in any other location in the world. Moreover, English law is applied to more shipping contracts than the law of any other country and London possesses the highest concentration of solicitors, barristers and arbitrators specialising in maritime issues and dispute resolution.
Maritime business services can be found across the UK, with the City of London home to numerous companies providing expertise across the full range of maritime service sectors. Offering support to the UK's maritime services cluster is a highly-skilled expertise pool which benefits from collaboration between the various professions. This cross fertilisation of expertise underpins continual improvement in a competitive market and the formation of a culture of excellence.
Over a quarter of global shipbroking is transacted in the UK, a figure that is significantly higher than any of the country's competitors. In insurance, the UK is also the global leader, accounting for 35% of world marine insurance premiums and 60% of protection & indemnity insurance. London is home to the leading source of market information on the trading and settlement of physical and financial shipping derivative contracts in the form of The Baltic Exchange. Additionally, with a quarter of maritime legal partners practicing in the UK and significantly more maritime disputes being settled by English arbitration than anywhere else in the world, the UK undeniably leads the global maritime services industry.
Staying vigilant
Jos Standerwick, chief executive of Maritime UK member Maritime London ─ a trade association for companies providing professional services to the international shipping industry ─ describes the UK and

London as “the leading international maritime professional services centre”. While he acknowledges that everyone is “working within the context of the omnipresent Brexit”, there is little to indicate a future substantive, negative repercussion on the services sector as a result of the UK’s exit from the European Union. Maritime London is working increasingly closely with UK government departments, through Maritime UK and independently, to ensure that it is doing all it can to protect the maritime services sector from any adverse effects and capitalise on the possibility of new trade details with the primary maritime markets. However, he adds that emerging markets have the potential to infringe on the UK maritime services industry’s dominance.

“China’s, and for that matter, Singapore’s, growth has been good for the UK’s maritime business services,” he comments. “We are, after all, an export industry, and have been uniquely placed to exploit and expand in these emerging markets. However, we must ensure London and the UK retains the ability to capitalise on these expanding markets and not be consumed by them.”

He adds: “This is a delicate balancing act, but I believe, through transparent dialogue with our overseas partners and aggressively promoting our unique strength and depth, we can ─ and actually must ─ create equitable partnerships that will benefit the UK in the short, medium and long term.”

Maritime UK as the collective voice of the sector has a fundamental role to play in this mission, as it works to corral its constituent members to make the business case for the UK.

Retaining the UK’s maritime services competitivity in a global marketplace is a challenge that is also felt by Mark Jackson, The Baltic Exchange’s chief executive officer. The Baltic Exchange is also a member of Maritime UK.

“Shipbrokers thrive on the local presence of their clients, and it’s important that London and the UK remain an attractive place for shipowners, in particular, to do business,” he explains. “The current visa arrangements already hamper the ability of international businesspeople to enter and remain in the UK easily, and it is vital that any regime implemented after the UK’s withdrawal from the EU is comparable with those in competitor jurisdictions. It is also critical that UK-based companies are able to source personnel on the basis of expertise and talent, rather than their nationality. The visa process needs to be simple, straightforward, predictable and stable.”

Julie Lithgow, director of Maritime UK member the Institute of Chartered Shipbrokers (ICS) ─ a professional body for all members of the commercial shipping industry worldwide ─ is also considering the impact of Brexit on the UK’s maritime services sector. For her part, Ms Lithgow stresses that open trade borders must be a priority for a post-Brexit world.

Beyond Brexit, Ms Lithgow raises concerns of “a lack of investment in education and training within maritime companies” as an important problem that the maritime services sector must contend with today.

Partnering for enhancement

In co-operation with Maritime UK, the ICS aims to continuously improve the UK maritime services sector: “The ICS and Maritime UK are co-ordinating where separate sectors have overlying concerns, such as Brexit, funding for skills and education, government briefing and London International Shipping Week (LISW),” Ms Lithgow explains. For the coming year, the ICS is looking to develop apprenticeships in the port agency sector to further promote and support the maritime services field in the country.

Concerns for Baltic Exchange members centre around taxation, financial and commodity market regulation, and support for London to cement its status as the world’s leading maritime services centre. Mr Jackson also recognises the importance of collaboration to tackle these issues: “Our voice is greatly amplified at government level by working with the many other sectors which collectively make up Maritime UK. Maritime UK has had a very positive impact and continues to facilitate our dialogue with decision-makers at the highest levels.”

At Maritime London, Mr Standerwick says that this year, the trade association “is going to do more to focus on those supporting sectors that play a fundamental role in our holistic offering” and will highlight the importance of the extent of both London and the UK’s maritime business. Maritime London also plans to strengthen its links with China and Greece in 2018 and develop a framework for constructive dialogue between its members and the British government.

In December 2017, Maritime London’s members voted for the International Maritime Industries Forum to be incorporated into the association – an important development, says Mr Standerwick.

“As was highlighted in the Maritime Growth Study, for too long the UK maritime sector has been too fragmented,” he says. “This has not helped our cause when engaging with government and promoting the sector. Maritime UK has provided the sector a framework to present a united front, which has been of

great benefit to the members of Maritime UK and their respective sectors. This is evidenced by the enhanced LISW, the increased engagement by government and the national press coverage achieved."
Working together, Maritime London and Maritime UK have created forums, such as the Ministerial Working Group, to allow the sector to engage at the highest level with relevant government departments.
Additionally, statistical research commissioned in 2017 by Maritime UK with the Centre for Economics and Business Research gave a holistic sector view and highlighted the significant role of professional services in the UK.
By working with different organisations pertinent to the UK maritime services sector, Maritime UK is helping to ensure that this services industry continues to stand at the forefront of the world stage.
Source: Maritime UK
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(7) Hellenic Shipping News, 9 March 2018/ First International Corp

Shipping into a changing world

The International Shipping Industry still remains the only way to move the majority of minerals, energy products and manufactured goods between the nations of the world.
Indeed it is still estimated that shipping carries 90% of World Physical Trade.
However given the huge changes that have occurred in many countries there is concern that the demand for shipping services may not grow but in fact decline.
As the various conferences that meet annually at this time of year discuss the economics and operational issues of the shipping industry it is concerning that the shipping companies that are publically traded in a few stock markets represent the worst performing sector in those markets.
Furthermore the banks that have historically financed shipping have mostly withdrawn and a few of the remaining German banks are showing billions of dollars of losses and provisions.
Private equity and hedge funds looking to buy these banks are not showing support for shipping but the ability to liquidate the portfolios over the next few years at a profit.
Meanwhile the biggest financiers of shipping today are the huge Chinese Leasing companies which together with the Chinese and Korean Exim banks are financing new ships being built in China and Korea with the objective of keeping freight rates down for the benefit of Chinese and Korean industries that rely on ships for the import of raw materials and export of manufactured goods.
The arrival of the speculative equity and hedge funds at the beginning of this decade changed the way shipping companies had traditionally operated, namely as the service industry to world trade. The security of longterm time charters with major cargo interests whose own credit standing supported the cash flow was discarded in favor of the spot markets enabling the ships to be sold as soon as their values generated a profit.
The longer this speculative period went so the cash flow problems worsened as the spot markets failed to produce constant income while the operating and financing costs continued.
Furthermore the major charterers became reluctant to charter these speculative ships or allow their charters to be included in any sale. This was clear evidence of the importance of the relationships between shipowners and charterers which have always been important given the issues that always exist in operating ships in the oceans of the world.
Shipowners and particularly those that appeared in the equity markets, were encouraged to order new ships in the false belief that the Chinese would continue to pay high freight rates as their manufacturing economy continued to expand.
It took some 5 years for the cargo interests to react to the high freight rates which for instance had caused the shipping cost of a ton of iron ore from Brazil to China to reach 60% of the landed price of the cargo.
The cargo interests understood that by encouraging more newbuildings in both the raw material imports and the finished goods so the freight costs could be minimized. Thus the Chinese have got the shipping cost of iron ore from Brazil down to 10% of the landed price.
The same applies to the container sector with the giant ships pushing rates lower and the owners facing huge operating losses

Add to this the Korean and Chinese Exim bank financing and the involvement of huge Chinese leasing companies and we continue to see the orderbook grow while few shipowners show any profits.
False optimism that “dry bulk markets look positive” or that “the USA exporting crude oil will be good for the VLCC markets” simply encourage new orders for ships and will not improve the operating profits for these sectors.
Thus it is the cargo interests that control the economics of the shipping industry today and ship values will continue to depreciate if they continue to trade in the spot markets.
Consolidation of shipping companies will have no effect unless it enables the shipowners to secure period charters and improve their income streams, fully maintain the ships, employ quality crews and afford the new costs of ballast water treatment and cleaning up the engine exhausts.
Source: Paul Slater, First International Corp.
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