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Global Maritime Weekly Digest

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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.

Contents

Editorial comments

- The latest (2016) edition of UNCTAD's ***Review of Maritime Transport*** was published last week. It provides invaluable information on global seaborne trade, the world fleet of ships (structure, ownership and registration), freight rates, ports, and legal and regulatory issues (item 1).
- Prominent uncertainties surrounding ***future growth of seaborne trade*** are emphasised in the UNCTAD report. What impact will the so-called fourth industrial revolution, and the sharing and circular economy concepts have? The authors admit that the possible ramifications of these trends are unknown.
- Another ***downside risk for international trade*** has been added. US president-elect Donald Trump expressed views during the campaign which imply unfavourable consequences (item 6), but it is unclear at present whether or how these will be translated into action.
- Shipping is an industry characterised by the existence of numerous ***family companies***, some of which are very large. In the UK, however, many have ceased trading. Among those surviving, lessons can be drawn from their endurance strategies (item 7).
- A breakdown of the ***world fleet by country of ownership*** (item 2) highlights the continuing remarkable dominance of Greece as by far the largest. Japan and China are still the number two and three players, respectively. The top five countries, including Germany and Singapore, control half of the entire global merchant ship fleet.

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(1) Hellenic Shipping News, 8 November 2016/ UNCTAD

UNCTAD: Seaborne shipping grows at slowest pace since 2009, future remains uncertain

Seaborne shipments passed 10 billion tons for the first time ever in 2015, up 2.1 per cent from 9.8 billion tons the year before, the UNCTAD Review of Maritime Transport 2016 says, noting that this is the slowest pace of growth in the industry since 2009 and that future growth looks uncertain.

Shipping carried more than 80 per cent of the world's goods by volume in 2015, and its slow growth reflects sluggish global trade, albeit with variations in the different sectors.

Shipping of oil recorded its best performance since 2008, thanks to low oil prices, ample supply and stable demand. But shipping's overall growth was dragged down by the limited growth of dry bulk commodity trade, in particular coal and iron ore, and by the poor performance of container shipping, which carries about 95 per cent of the world's manufactured goods.

Despite this slow growth, the industry's carrying capacity continued to grow, jumping 3.5 per cent to 1.8 billion deadweight tons in 2015 and pushing freight rates down to record lows. In September 2016, the container market suffered its worst ever bankruptcy with the loss of Hanjin Shipping, the sector's seventh biggest carrier.

'With global trade growing at its slowest pace since the financial crisis, the immediate outlook for the shipping industry remains uncertain and subject to downside risks,' UNCTAD Secretary-General Mukhisa Kituyi said, ahead of the report's launch on 7 November.

'The push for ever larger ships is at the root of the industry's problems,' he added. 'There's just not enough cargo right now to fill the newly acquired, bigger vessels.'

Falling demand from China, low commodity prices, over supply of ships and geopolitical uncertainties in some oil and gas producing countries all add to the current downside risks affecting shipping.

Shipping companies have sought to reduce their operating costs by building and buying ever larger ships. But this may prove costly for developing countries, where transport costs are already higher than in other regions. With larger ships, total system costs go up, and smaller trading nations are increasingly confronted with oligopolistic liner markets.

Developing countries account for ever larger shares of international shipping. By volume, they accounted for 60 per cent of the goods loaded onto ships in 2015. In the same year, their share of goods unloaded was 62 per cent, up from 41 per cent in 2006.

With the exception of a few Asian countries such as China, most developing country ports lack the infrastructure for bigger ships. So unless they spend heavily on upgrading their ports, developing countries face fewer port calls, less competitive markets and higher shipping costs.

But thanks to population growth, and the potential maritime trade and business opportunities that may be generated by new transport infrastructure projects such as the extension of the Panama Canal and Suez Canal, the long-term prospects for shipping remain positive, the report says. It urges developing countries to identify possible comparative advantages in sectors such as shipbuilding, registration and staffing, and to benefit from them.

'With all the bad news in the media about the state of the shipping industry, we forget that seaborne trade continues to grow, offering job and growth opportunities for developing countries,' says Shamika N. Sirimanne, Director of the UNCTAD Division on Technology and Logistics.

Developing countries can also cut their costs by keeping their ports competitive.

'Many industries and businesses in developing countries could be much more competitive if their ports were more efficient,' Ms. Sirimanne says, adding that delays in African ports add roughly 10 per cent to the cost of imported goods and even more to exports.

The UNCTAD port training programme currently works with some 200 ports in 29 countries in Africa, Asia and Latin America, helping them to improve performance through management training, research projects and keeping up to date with the latest port legislation.

Shipping accounts for almost 3 per cent of greenhouse gas emissions today, but as the industry grows its emissions could jump by 50-250 per cent by 2050. Despite this, it remains one of the few sectors not regulated under the United Nations Framework Convention on Climate Change. But with the Paris Agreement on climate change coming into force on 4 November, and this month's twenty-second

Conference of the Party – COP 22 – meeting, shipping will be increasingly in the spotlight.
Source: UNCTAD
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(2) UNCTAD *Review of Maritime Transport 2016*, 7 November 2016

World fleet by country of ownership, at 1 January 2016

Table 2.3 Ownership of world fleet, 2016

	Country or territory	*Number of vessels*			*Dead-weight tonnage*				
		National flag	*Foreign flag*	*Total*	*National flag*	*Foreign flag*	*Total*	*Foreign flag as percentage of total*	*Total as percentage of world*
1	Greece	728	3 408	4 136	64 704 141	228 383 091	293 087 231	77.92	16.36
2	Japan	835	3 134	3 969	28 774 119	200 206 090	228 980 209	87.43	12.78
3	China	3 045	1 915	4 960	74 106 227	84 778 140	158 884 367	53.36	8.87
4	Germany	240	3 121	3 361	11 315 790	107 865 615	119 181 405	90.51	6.65
5	Singapore	1 499	1 054	2 553	61 763 603	33 548 770	95 312 373	35.20	5.32
6	Hong Kong (China)	854	594	1 448	67 522 162	19 853 100	87 375 262	22.72	4.88
7	Republic of Korea	795	839	1 634	16 107 565	62 726 629	78 834 194	79.57	4.40
8	United States	782	1 213	1 995	8 155 717	52 123 421	60 279 138	86.47	3.36
9	United Kingdom	332	997	1 329	5 247 009	46 194 091	51 441 100	89.80	2.87
10	Bermuda	14	404	418	503 077	47 950 084	48 453 161	98.96	2.70
11	Norway	858	996	1 854	17 576 954	30 610 893	48 187 847	63.52	2.69
12	Taiwan Province of China	122	776	898	5 094 232	41 047 112	46 141 345	88.96	2.58
13	Denmark	398	562	960	16 079 319	22 235 206	38 314 525	58.03	2.14
14	Monaco	-	320	320	-	29 892 471	29 892 471	100.00	1.67
15	Turkey	562	978	1 540	8 311 987	19 639 445	27 951 433	70.26	1.56
16	Italy	575	227	802	15 427 422	7 311 946	22 739 369	32.16	1.27
17	Belgium	93	156	249	7 522 451	14 575 301	22 097 752	65.96	1.23
18	India	815	132	947	15 699 868	5 977 855	21 677 723	27.58	1.21
19	Switzerland	47	320	367	1 523 873	18 956 258	20 480 131	92.56	1.14
20	Russian Federation	1 325	355	1 680	6 727 958	11 415 747	18 143 705	62.92	1.01
21	Islamic Republic of Iran	168	65	233	4 051 601	13 786 700	17 838 301	77.29	1.00
22	Netherlands	771	458	1 229	6 682 312	10 758 780	17 441 092	61.69	0.97
23	Indonesia	1 607	105	1 712	15 141 943	2 145 145	17 287 088	12.41	0.96
24	Malaysia	466	155	621	8 450 122	8 341 174	16 791 296	49.68	0.94
25	Brazil	236	151	387	3 695 541	12 087 869	15 783 410	76.59	0.88
26	United Arab Emirates	103	712	815	483 733	15 006 924	15 490 657	96.88	0.86
27	Saudi Arabia	100	146	246	2 905 434	11 084 021	13 989 455	79.23	0.78
28	France	179	283	462	3 484 683	8 707 221	12 191 904	71.42	0.68
29	Canada	208	154	362	2 582 779	7 283 792	9 866 571	73.82	0.55
30	Kuwait	43	37	80	5 318 686	3 902 986	9 221 672	42.32	0.51
31	Cyprus	128	144	272	3 332 921	5 717 105	9 050 026	63.17	0.51
32	Viet Nam	797	99	896	6 791 347	1 507 502	8 298 849	18.17	0.46
33	Oman	6	33	39	5 850	7 104 727	7 110 577	99.92	0.40
34	Thailand	327	62	389	5 066 934	1 659 327	6 726 261	24.67	0.38
35	Qatar	53	77	130	768 614	5 829 361	6 597 975	88.35	0.37
Total of top 35 shipowning countries		19 111	24 182	43 293	500 925 974	1 200 213 898	1 701 139 872	70.55	94.95
All others		2 727	2 495	5 222	30 447 669	51 631 975	82 079 644	59.70	4.58
Total with known country of ownership		21 838	26 677	48 515	531 373 643	1 251 845 873	1 783 219 516	70.20	99.53
Others of unknown country of ownership		-	-	708	-	-	8 364 884	-	0.47
World total		-	-	49 223	-	-	1 791 584 400	-	100.00

Source: UNCTAD secretariat calculations, based on data from Clarksons Research.
Note: Propelled seagoing merchant vessels of 1,000 gross tons and above, as at 1 January, ranked by dwt.

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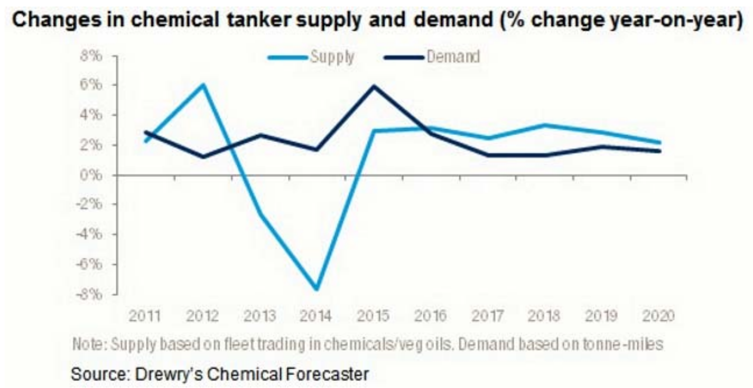
(3) Hellenic Shipping News, 9 November 2016/ Drewry

Vessel oversupply dampens chemical tanker market outlook

Softening seaborne trade and rising fleet growth are expected to depress chemical shipping freight rates over the next few years, according to the latest edition of the Chemical Forecaster, published by global shipping consultancy Drewry.

Spot rates collapsed in the third quarter as some charterers who usually fix their cargoes on contract took advantage of low spot rates. This situation also weighed on time charter rates and asset values, especially for the larger chemical tankers.



In particular, freight rates on major long-haul routes came under severe pressure in the third quarter due to a fall in demand for China origin cargo, unexpected plant shutdowns in the Middle East and fierce competition between operators. Regional markets also weakened due to increasing domestic supply and unexpected plant shutdowns.

China's imports of certain products have reduced this year, not only because of the fall in downstream demand but also due to the surge in domestic production. With new projects due to start operating in the next two to four years, demand for imports of some chemical products will decline further. In the long term, this will put downward pressure on freight rates to the Far East. But it is good news for China's domestic chemical tanker market as it will increase demand for domestic shipping.

The sharp decline in spot rates and bunker prices this year has affected contractual shipping movements and resulted in early contract of affreightment (COA) renewals. However, renewal rates vary.

"While freight rates on some routes are forecast to reduce substantially, other routes may see roll-overs or minor increases. Shipowners' earnings will remain depressed for the next two years, especially those covered mainly by COAs," commented Hu Qing, Drewry's lead analyst for chemical shipping.

"We expect time charter rates in the smaller size categories to remain stable in the next two years, but rates for the larger sizes, especially MRs, are expected to decline steeply because of surplus supply and intense competition," added Qing.

Source: Drewry

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(4) Clarksons Research, 4 November 2016

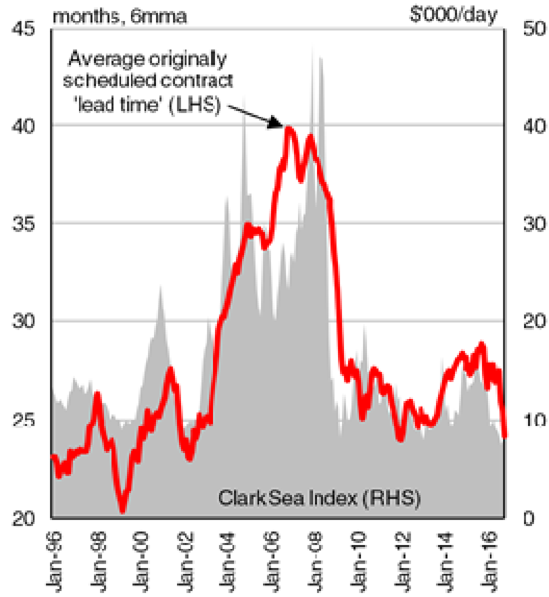
On Investigation, Take Time To Look For 'Leads'

As in many sectors of economic activity, provision of just the right amount of capacity is a tricky business, and the shipbuilding industry is no exception. As a result, in stronger markets the 'lead time' between ordering and delivery extends and owners can face a substantial wait to get their hands on newbuild tonnage, whilst in weaker markets the ‘lead time’ drops with yard space more readily available.

Graph of the Week

A Useful ‘Leading’ Indicator? Look At Contract Lead Times

The red line shows the development of average contract ‘lead time’ for vessels 10,000+ dwt ordered in each month, based on the 6-month moving average of the difference in number of months between the contract date and the originally scheduled/estimated delivery date (left hand axis). The grey area shows the monthly average value of the ClarkSea Index (a weighted average of earnings across the bulkcarrier, tanker, containership and gas carrier sectors, right hand axis).



Source : Clarksons Research

What’s The Lead?
So shipyard ‘lead time’ can be a useful indicator, but how best to measure it? One way is to examine the data and take the average time to the original scheduled delivery of contracts placed each month. The graph shows the 6-month moving average (6mma) of this over 20 years. When lead time ‘lengthens’, it reflects the fact that shipyards are relatively busy, with capacity well-utilised, and have the ability, and confidence, to take orders with delivery scheduled a number of years ahead. For shipowners longer lead times reflect a greater degree of faith in market conditions, supporting transactions which will not see assets delivered for some years hence. Longer lead times generally build up in stronger markets. Just when owners want ships to capitalise on market conditions, they can’t get them so easily. But lead times shrink when markets are weak; just when owners don’t want tonnage, conversely it’s easier to get. The graph comparing the lead time indicator and the ClarkSea Index illustrates this correlation perfectly.

Stretching The Lead
Never was this clearer than in the boom of the 2000s. Demand for newbuilds increased robustly as markets boomed. The ClarkSea Index surged to $40,000/day and yards became more greatly utilised even with the addition of new shipbuilding capacity, most notably in China. The 6mma of contract lead time jumped by 49% from 23 months to 35 months between start 2002 and start 2005. By the peak of the boom, owners were facing record average lead times of more than 40 months. In reality, as ‘slippage’ ensued, many units took even longer to actually deliver than originally scheduled.

Shrinking Lead
The market slumped after the onset of the financial crisis, with the ClarkSea Index averaging below $12,000/day in this decade so far. Lead times have dropped sharply, with yards today left with an eroding future book. The monthly lead time metric has averaged 26 months in the 2010s, despite support from ‘long-lead’ orders (such as cruise ships) and reductions in yard capacity. Of course, volatility in lead time recently reflects much more limited ordering volumes.

Taking A New Lead
So, ‘lead times’ are another good indicator of the health of the markets, expanding and contracting to reflect the balance of the demand for and supply of shipyard capacity. They also tell us much about the potential health of the shipbuilding industry. In addition, even if shorter lead times indicate the potential to

access fresh tonnage more promptly, unless demand shifts significantly or yards can price to attract further capacity take-up quickly, they might just herald an oncoming slowdown in supply growth. At least that might be one positive 'lead' from this investigation. Have a nice day.
Source: Clarksons
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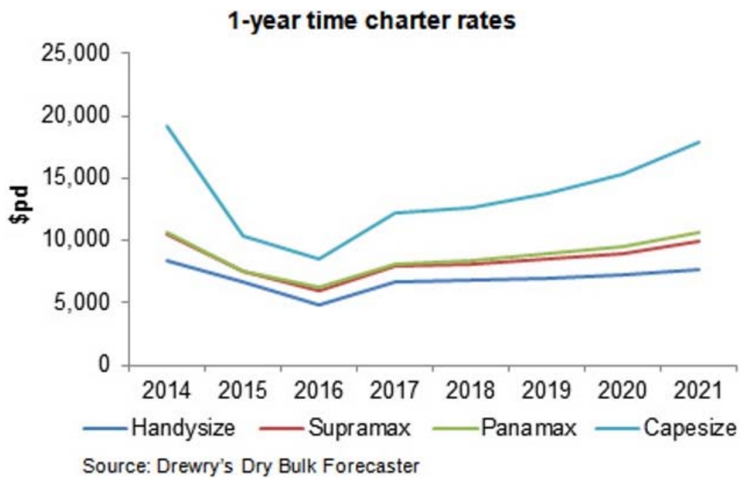
(5) Hellenic Shipping News, 10 November 2016/ Drewry

Dry bulk shipping to recover on muted vessel supply

Moderating vessel supply growth over the next few years together with a mild improvement in the outlook for seaborne trade will enable a reduction on chronic overcapacity and so mark a recovery in the dry bulk shipping market, according to the latest edition of the Dry Bulk Forecaster, published by global shipping consultancy Drewry.
Drewry forecasts that Capesize one-year time charter rates will double over the next five years from the lows of 2016 (see chart below). The reasons for a sharp contraction in the supply and demand gap are improving demand outlook coupled with a slowdown in vessel supply due to high scrapping and continued low deliveries along with scarce new-orders.



The impending additional cost of installing Ballast Water Treatment Systems (BWTS) will force owners to keep sending younger tonnages to scrapyards. Owners have hardly been able to cover their operating costs and the additional cost will mean increasing losses.
The continued scarcity of private equity has controlled new orders this year and investors are expected to keep shying away from the dry bulk market, thinning the orderbook even further over the next two years. This will ensure that deliveries remain low which in turn will limit supply growth.
By contrast, demand for dry bulk shipping is expected to grow strongly, as Brazil's increasing share of Chinese iron ore imports drives higher tonne mile demand. Even if the Chinese iron ore trade does not rise as anticipated, a shift of sourcing towards Brazil will mean that the demand for ships will increase many fold.
Asian countries, including Vietnam, Korea and Taiwan are expected to ramp up coal imports as they open more coal-powered generating plants to support their growing demand for energy. Drewry is expecting coal demand to keep increasing over the next five years.
"Dry bulk shipping has bottomed out and a market recovery is underway, albeit a slow one. Rising demand for ships to cater for increasing raw material consumption, together with the effect of shifting trade routes will help increase tonne miles. With investment remaining out of reach from dry bulk owners, even a modest growth in demand will help support market recovery. Meanwhile, the increasing cost of running an old ship will mean more vessels go to scrapyards, tightening supply over the next five years," commented Rahul Sharan, Drewry's lead analyst for dry bulk shipping.
Source: Drewry

(6) The Economist, 9 November 2016

The global economy

The economic consequences of Donald Trump

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FROM late January, Donald Trump will have all the authority of the American executive, and the support of a unified Republican Congress, behind him. He will, therefore, be in a position to deliver profound and lasting change. The near-term economic effect of a Trump presidency is perhaps not of foremost concern to vulnerable racial and religious minorities in America, or to nervous NATO allies in eastern Europe. But the economic consequences of Mr Trump's presidency could be enormous, and costly.

In the short run, the market reaction will receive most attention. Mr Trump will not be president until early in 2017, and so it falls to markets to anticipate, and price in, expected policy changes. Stock markets are set to open down today, and the election could presage a longer slump if investors feel that the uncertainty generated by Mr Trump's victory will harm growth and corporate profits. But volatility, rather than a bear market, might be the more probable outcome, given the lack of clarity as to what Mr Trump will prioritise in office. Bond prices will probably wobble a lot as markets seek insurance against risk. Normally, American bonds are the world's great safe haven. Treasury prices look set to fall this morning, however. Traders might be second-guessing the safety provided by American government debt; the trouble for investors is that if treasuries are not safe, nothing is.

Market gyrations could be enough to do damage to the American (and global) economy, but that particular risk might be overstated. Market swings in the wake of Brexit were not as immediately damaging as many observers feared. What's more, there will be offsetting factors. At the moment, markets still expect the Federal Reserve to hike interest rates in December. That could quickly change if markets look unsteady, however. Central banks elsewhere in the world will also be on their guard, ready to provide more accommodation if needed.

In addition, Mr Trump's policy platform could be stimulative in the medium run. Though his economic plans have never been especially detailed, a few things are clear. First, Mr Trump would cut taxes dramatically. His tax cuts would mostly benefit the rich, which would limit the boost to demand somewhat, but a large increase in the government deficit could not help but give a jolt to the economy. At the same time, Mr Trump seems likely to increase spending on defence and on infrastructure (and, possibly, on a wall, which would seemingly count as both). If Mr Trump moves forward with plans to detain and deport large numbers of people, that would also add to government spending. Under Barack Obama, both government spending and borrowing have fallen—despite an $800bn stimulus—as a share of GDP; under Republican government those trends seem sure to reverse. Of course, the Fed's reaction to government policy will determine the extent to which that fiscal boost translates into faster economic growth.

The Fed's role in the economy could itself be under threat. Mr Trump has expressed criticism of the monetary-policy choices of Janet Yellen. If she stays on the job her term will nonetheless be up in 2018, while Mr Trump is president. Before then, he will have the opportunity to fill seats on the Board of Governors. In the short run, no other policy choice is nearly as consequential as these appointments. Were Mr Trump to push the Fed in a significantly more hawkish direction, a near-term recession would be a certainty. It is not impossible that Mr Trump would prefer a less independent Fed committed to getting him re-elected, however, in which case policy could actually become more dovish leading, maybe, to faster growth in output and a rise in inflation.

Other policy changes would have more impact on the distribution of economic gains. If, as seems likely, Republicans repeal Obamacare, millions of Americans will lose their health insurance. That will have serious human consequence unless the government steps in with an alternative plan. (The only realistic alternative which does not lead to large numbers of people going uninsured is an extension of government-provided coverage—not something Republicans have traditionally favoured, though one hardly knows what to expect under a Trump presidency.) Undocumented immigrants and their family members will be in a far more vulnerable position under Mr Trump than they have been during Mr

Obama's tenure. That will reduce their ability to move, change jobs, make large investments, and ask employers for higher pay or better treatment.

If Mr Trump manages to keep America out of an immediate economic crisis, the long-run effects of his presidency will prove most profound. The status of many international institutions is now in question. It is difficult to imagine new trade deals being completed, and old ones might be reopened or scrapped. Mr Trump has some leeway to unilaterally impose temporary trade restrictions, but such moves would entitle other countries to respond with punitive restrictions of their own. The outlook for global trade growth, already quite bearish relative to the hyperglobalisation of the 2000s, has darkened considerably. Other important policy changes are difficult to anticipate. One suspects that Mr Trump will not be especially interested in international co-operation to limit tax avoidance or restrain the power of global banks. It is possible that a Trump administration would pull support from the IMF and the World Bank, removing some of the shock absorbers in the international system. Mr Trump has promised to reduce regulation, but it is hard to know how he will manage important economic trends, like consolidation in American industry. It is easy to see him as a corporatist, willing to give lots of room for manoeuvre to powerful firms. That could be good for profits, while also encouraging economic nationalism around the world, undermining the long-run growth potential of the American economy, and reducing the bargaining power of workers.

Some industries, like fossil-fuel companies, which had found themselves needing to tread lightly under Mr Obama, could enjoy much more freedom under Mr Trump. That might be good for energy producers in the short run, and perhaps for consumers as well. On the other hand, the progress the world's governments have made in recent years moving toward a commitment to reduce global emissions is now in grave danger. America has handed control over the world's largest economy to a party that does not believe in global warming, at a crucial moment in the battle to keep temperature increases within a manageable range. The long-run effects of this choice could be disastrous.

Then there are the great unknowns. Mr Trump controls the world's most powerful military. It is hard to know how he will use it, or the diplomatic machinery of the American government. Any move toward greater conflict in the Middle East or Asia could have serious economic consequences: from soaring oil prices to market panic to interruptions in global trade. The economic and human costs of war are impossible to anticipate but frightening to consider.

Yet even if Mr Trump does not land America and the world in a serious new conflict or a global depression, his effect on the trajectory of global growth and development could be substantial and terrible. Mr Trump may kick into reverse a process of globalisation which had already stalled. That will not restore to workers a golden age of prosperity and security. Instead, it will increase the extent to which the global economy feels like a zero-sum competition, increasing the risk of political conflict. It will also destroy a developmental ladder which had already been looking quite rickety. Developing economies will find themselves less able to use trade to boost their growth potential and less able to send migrants to richer countries. At the same time, the international cooperation that occasionally provided some cushion against financial or economic hardship in the developing world could break down. And climate change will worsen. The picture of Trump world is far darker for those outside the rich world than within it. Yet within, it is dark enough.

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(7) Lloyd’s List, 10 November 2016

The generation game

How family companies endure in the maritime industry, where others come and go

YEARS ago somebody wrote that the shipping industry was like a room with two doors. There was always great activity within the room, but while people (shipping companies) were entering by one door, out of the other, shipping companies were disappearing, forever. It is the same, to this day.

It should be perfectly obvious that both the rate of entrance and exit are variable, dependent upon economic circumstances, demand for the services of ships, alternative investment opportunities and even fashion. In the 1850s, for instance, railways were the cat's pyjamas for the busy investor, while 150 years later their successors were going berserk over dotcoms, which, we can report with the perfect wisdom of hindsight, produced much the same immediate consequences.

It was in 1866 the 20-year-old James Denholm opened his own office in Cathcart Street, Greenock. Just three years later he was an established agent and shipbroker, and joined by his younger brother John, together forming J&J Denholm. Some 150 years after James had entered that shipping industry room, the company he started is this year celebrating this notable anniversary.

Recently there was a very splendid celebratory party in London's Fishmongers' Hall, presided over by John S Denholm with a guest list spread across an extraordinary number of different sectors. This of course illustrates the considerable diversification of this company, which has become something of a service provider to many, under the "Diamond D" of the J&J Denholm house-flag, while retaining its roots in shipping.

It is interesting to reflect on the way in which this Scottish tramp owner, manager and agent has survived over such a period, not least during a time when British merchant shipping seemed to lose the will to live and implode. Just think back to that awful period of the 1980s and 1990s, with the era of brown envelopes, flagging out and the diaspora of so much talent throughout the maritime world.

Why did so many fine British operators exit through that door, when there were Norwegians and Danes and Dutch and Germans and Japanese companies that managed to soldier on and even to prosper? Were we too complacent, too willing to give up when it became too hard? Were shipowners ill-equipped for the changes that were being forced on the industry? What was it about Denholms, I might have wondered at that celebratory party, (except that I was enjoying myself so much), that had kept them going when there was chaos and carnage around them?

It might have been the fact that over the successive generations of this family firm, they have been annealed in the fire by periods of considerable adversity. The briefest study of the freight market and its volatility shows that troughs seem more lasting than the peaks and that is even before we get onto the intervention of world wars. If you trace the company's history, there have been quite extensive periods when it has had more ships laid up than in operation. At the end of the Second World War, with only two ships of its fleet remaining, the company's history reveals that Jack and William Denholm thought very hard about the choice between selling out and replacing the lost tonnage. But it is probably fair to note that Denholms has never been a short-term player and maybe there is a clue there to its longevity.

What else might be the keys to a long life in this dangerous industry? A tight management structure with a sensible overlap between generations, of people brought up in the business, who can make decisions without querulous questioning by City analysts deploring every investment and seeking to establish "trends" with every passing quarter.

It has helped that they have employed professional people who understand shipping and ship husbandry and the "service" element of this industry of derived demand. The other evening, John Denholm spoke of the inspiration, courage and flair of his predecessors, and all of these virtues must have been contributors.

Diversify to prosper

And quite obviously, if you look at that hazardous period when British shipping plunged into its death spiral, which emptied out that room of UK owners, it was the diversification of J&J Denholm which surely ensured its survival and prosperity. If you are wanting to be cruel, it was the downright blinkered view of so many British owners that drove them over the edge. They have been woefully ignorant about the opportunities outside their own sector and wedded to their "core businesses", even when this core has been manifestly rotten. It has been easier to take the money and run, rather than to boldly move into other areas.

It has not been the case with J&J Denholm, and you get the impression that the management has been notably open-minded to new opportunities that could provide profit, even in less likely places. When they saw ship ownership a disaster-zone, they scaled up their third party management, which had been an auxiliary part of the business since 1877. When they sold out of this business to Anglo-Eastern, they retained a share in a business that has been an important part of the company's history.

They built up their agency work and entered industrial services, which you might think was a logical step for people skilled in the maintenance and husbandry of ships. They became sizeable part-owners of fishing enterprises and the process of fish selling and processing. Their route into the world of energy has been through oilfield services. The business of logistics has been a useful development. They have moved back to their roots with the ownership of bulkers, one recently delivered, one under construction.

You might think that there is a lesson here, perhaps even something of a formula for survival in these febrile times. The route that Denholms has charted is by no means unique, as there are others, in the UK and abroad, in which families, responsive management, an open mind and the pursuit of profit through diversification have worked in their favour. A century and a half of successful operations shows that they must surely have done something right.

by Michael Grey

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