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

- At the forefront of numerous discussions about the outlook for many global maritime activities is what is happening in **China's economy**. In particular, changes taking place in seaborne import trades to, and export trades from, China often have a large and immediate impact on shipping.
- While "fears of a hard landing appear to have eased" the **slowing pace** of economic growth in China is still causing concern (item 2). However, government stimulus measures introduced earlier this year have provided support, and bulk commodity imports (especially iron ore and coal) during 2016 have been much stronger than most expectations.
- Some interesting calculations relating **world seaborne trade** to global production of a number of commodities are shown in item 3. A rising trade/production ratio trend has been seen, and just a further minimal percentage increase could greatly boost the volume of cargoes transported.
- Amid chronic overcapacity in many sectors, the focus on **ship recycling** as part of the answer to the problem has intensified. In India's Alang district, one of the biggest global ship scrapping centres, more demolition yards are seeking compliance with the international convention on safe and environmentally sound recycling (item 5).
- The contribution of **private equity funding** to shipping finance remains controversial, because of the perceived 'short termism' characteristic approach of these investment funds. But several shipowners believe that a longer term commitment to shipping by a number of private equity funds is evolving (item 4).

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(1) Hellenic Shipping News, 12 October 2016/ London Shipping Law Centre

Less Authority But More Responsibility: A Growing Problem For Ship Masters?

The position of the Ship Master, apparently enshrined in centuries of law, custom and practice, is showing evidence of strain in the light of 21st century ship operation and management. The Master's traditional authority is widely perceived as being diminished while responsibility is being increased, frequently in matters over which he has little or no control.

Is the role of the Master under attack? How has his authority and responsibilities been affected in an age of instant communication between ship and shore, and a growing volume of laws and regulations affecting the way the Master runs his ship? These are the core questions for the 14th Cadwallader Debate and Dinner to consider at Drapers' Hall, London on October 26th. The event is being organised by the London Shipping Law Centre (LSLC) Maritime Business Forum.

Michael Grey, LSLC Council member and former seafarer, has no doubts about the growing difficulties facing Ship Masters. He cites external interference in loading and stowage, course, speed and performance decisions, sometimes overriding the Master's safety concerns and backed by bullying. There are increasing instances where the Master is held as a 'legal hostage,' when local and port authorities, sometimes corrupt, find something wrong with the ship, its operations and its cargo.

With an estimated 150,000 new merchant officers required in the global shipping industry by 2025, Mr Grey is concerned that these factors could well discourage those contemplating a career at sea and ultimate command.

He said: "Ambitious and bright officers need to be attracted to the Ship Masters' role. However, there are worrying signs that senior officers are being deterred from this aspiration when they observe first-hand the burdens borne by those who command the ships they sail in."

Under the chairmanship of Lord Clarke of Stone-cum-Ebony, the speaker's panel will be led by Captain Kuba Szymanski, Secretary-General of Intermanager, as moderator. He will be supported by Michael Kelleher, Director, West of England P&I Club; Faz Peermohamed, Global Head of Shipping, Ince & Co; Michael Chalos, Partner, K&L Gates (New York): and Jeff Lantz, Director of Commercial Regulations and Standards, US Coast Guard.

Captain Szymanski said: "Hierarchy is vital to a vessel's performance, as clear decisions are fundamental to a ship's performance and the safety and integrity of crew, cargo and the environment. Ever since all shipping companies had to adopt the ISM Code, we have seen a transfer of authority from ship to shore personnel who are making more key decisions. Yet the Master remains formally responsible for factors which he does not control.

"The Master must continue to be the voice of the vessel, just as he has always been."

Mr. Grey added: "The debate is designed to tease out areas of real concern within the industry, ashore and afloat. The issue is that modern legal developments and the communication technology, which binds ship and shore more closely together require the traditional role of the Ship Master to be revisited."

Source: London Shipping Law Centre (LSLC)

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(2) Hellenic Shipping News, 18 October 2015/ Reuters

China 2016 economic growth seen slowing to 6.6 percent, 6.5 percent in 2017

China's economic growth is expected to cool to 6.6 percent this year and slow further to 6.5 percent in 2017, even as the government keeps up policy support to help ward off a sharper slowdown, a Reuters poll showed.

The world's second-largest economy faces nagging downward pressure due to slack global demand that has hurt its exports, as well as risks from painful reforms to cut industrial overcapacity and a growing pile of debt that some analysts fear could spark a financial crisis.

The risk of a correction in the high-flying property sector could also pose a threat as more local governments rush to restrict home purchases to cool surging house prices and ward off housing bubbles.

While fears of a hard landing appear to have eased, recent data also have highlighted growing imbalances in China's economy, with growth increasingly reliant on government spending as private investment falls to record lows.

"The downside risks to growth remain larger, though, and they can be manifested in a weaker-than-expected property sector or external demand," economists at HSBC said in a note.

"In addition, the slowdown in private sector investment over the past years means that the organic growth momentum of the economy may have declined, requiring policymakers to be more vigilant in terms of keeping policies as supportive as possible."

Last month, the World Trade Organization cut its forecast for global trade growth this year by more than a third to 1.7 percent, reflecting a slowdown in China and falling levels of imports into the United States.

Still, the median forecast in a Reuters survey of 59 economists was slightly better than a poll in July, when economists penciled in 2016 growth of 6.5 percent and 6.3 percent for 2017.

In the latest poll, the highest growth forecast for 2016 was 6.8 percent and the lowest was 6.3 percent.

The poll also showed China's economic growth could slow to 6.6 percent in the fourth quarter of 2016, from an expected 6.7 percent in the third quarter.

The National Bureau of Statistics is due to release third-quarter gross domestic product (GDP) data on Oct. 19.

Premier Li Keqiang said last week that China's economy performed better than expected in the third quarter due to a rebound in factory output, company profits and investment.

A construction boom fueled by government infrastructure spending and a hot property market has boosted sales and profits for firms making building materials to furniture, though many smaller companies in unrelated sectors continue to struggle.

The government has set a growth target of 6.5-7 percent for this year. The economy expanded 6.9 percent in 2015, the slowest pace in a quarter of a century.

But many China watchers suspect real growth is already weaker than official data suggest.

POLICY SUPPORT SEEN

Analysts also expect annual inflation to average 2 percent in 2016 and 2017, underscoring the sluggish growth outlook. Inflation was 1.9 percent in September and 2 percent in the first nine months of 2016.

Economists have pushed back expectations of fresh monetary easing amid perceptions that it could aggravate rising debt levels and speculative activities.

Some analysts also believe flooding the system with more liquidity would do little to boost growth as companies may already be hoarding cash rather than making new investments.

As such, the government has been leaning more on fiscal stimulus to spur growth more directly.

The People's Bank of China has cut lending rates six times since November 2014 to 4.35 percent, but has not moved since October 2015.

It also has lowered the amount of cash that banks are required to hold as reserves to 17 percent, with its last move in February this year.

The PBOC is expected to cut banks' reserve requirement ratios (RRR) by another 50 basis points (bps) in the first quarter of 2017, and cut the benchmark lending rate by 25 bps in the fourth quarter of the year, according to the poll.

Economists polled in July had expected a 75 bps cut in RRR – the amount of cash that banks must hold as reserves – by the end of 2016, and a 25 bps cut in benchmark interest rates by the first quarter of 2017.

Source: Reuters (Additional reporting by Shaloo Shrivastava, polling by Khushboo Mittal in Bengaluru)

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(3) Clarksons Research, 14 October 2016

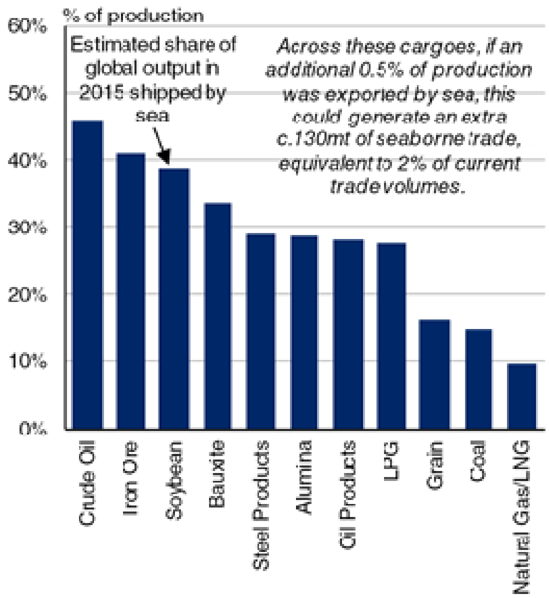
Taking Centre Stage: Seaborne Trade's Key Role

Shipping plays a major role in the world's industries, facilitating the transport of large volumes of raw and processed materials. However, the maritime sector forms a much more important part of the global supply chain for some commodities and industries than others. Comparing world seaborne trade in a range of cargoes to global production helps to make this abundantly clear.

Graph of the Week

Taking A Bow: The Protagonists Of Seaborne Trade

The bars shows estimated seaborne trade as a percentage of global production in each commodity in 2015. Production data based on Clarksons Research estimates and various industry sources. Crude oil includes crude and condensate only, grain includes wheat and coarse grains, and LPG includes propane and butane.



Source : Clarksons Research, Industry Sources

Still In The Limelight

Looking at a range of cargo types (see graph), less than 50% of global production of each was shipped by sea in 2015, with a significant share of output consumed domestically. However, seaborne transport still accounts for a sizeable proportion of many of these cargoes, and a wide range of factors influence the level of dependence on shipping of each.

Compelling Cues

One obvious driver is the location of production and consumption. Crude oil is the commodity most reliant on shipping, with some 46% of crude output last year exported by sea, with oil output concentrated in a relatively small number of countries. Similarly, around 41% of global iron ore production was shipped last year, with limited domestic demand in key producers Australia and Brazil. Absolute and relative regional productivity also has an influence. Just 15% of coal output was shipped in 2015, with half of the 6.5bt of coal produced globally last year output in China, nearly all of which was consumed domestically. Still, China was the second largest coal importer in 2015, with regional coal price arbitrages driving trade. Another key factor is the availability and efficiency of other transport modes. Twice as much natural gas is exported via pipeline than in a liquefied state by sea, with just 9% of natural gas output in 2015 shipped as LNG. Meanwhile, the level of processing of materials also has an impact. Oil and steel products are less reliant on shipping than crude oil and iron ore, with refineries and steel mills often built to service domestic demand.

Raising The Drama

However, the growth of 'refining hubs' has raised the share of refinery throughput shipped by almost 10 percentage points since 2000. This kind of trend is an important driver of shipping demand. The share of output of the featured commodities shipped rose from an estimated 22% in 2000 to 26% in 2015, generating c.720mt of extra trade. This equates to an additional 1% p.a. of trade growth, boosting trade expansion to a CAGR of 3.7% in 2000-15. Trade in some cargoes is more sensitive to shifts in the share of output shipped than others, but across the featured cargoes, a further change of 0.5% in the share of output shipped could create another 130mt of trade, 2% of current seaborne volumes.

No Sign Of Stage Fright

So, while trade in even the cargo most reliant on shipping accounts for less than half of global output, the world economy today is still dependent on the seaborne transport of 11bt of all cargo types. Overall growth in production and the distance to consumers are also clearly important demand drivers for shipping, but for the world's industries there's no denying the main part that shipping still plays in the supply of raw materials. Have a nice day!

Source: Clarksons

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(4) Lloyd's List, 13 October 2016

Private equity 'is here to stay'

- by Nigel Lowry

Pundits voice confidence that funds will adapt and reinvest in shipping despite rough introduction

INVESTMENT funds that have discovered the shipping industry in relatively recent times are likely to reinvest in vessels and perhaps even expand their role, a finance conference in Athens has been told.

Shipowners speaking at the 18th annual Marine Money Greek Ship Finance Forum were generally confident that funds would not permanently exit the industry en masse, despite some bracing experiences in the last few years.

Until now the role of private equity funding, as a proportion of overall industry ship finance, had been exaggerated by "a lot of talk", said George Gourdomichalis, chief executive of Blue Wall Shipping, a company that has attracted outside investment funds for handysize bulkers.

"But I think it is here to stay," he said of the private equity presence in shipping. "It will evolve, there will be some investors who are better suited and some worse suited."

Mr Gourdomichalis noted that some funds, such as Oaktree Capital, had made "tremendous investments" over a much longer period of involvement in shipping.

"Funds will stay in this market, they will learn from their mistakes — as will all of us — and they will continue to invest," he said.

Kostas Rokkos, chief executive of bulker company TST International, said: "Nowadays I see that if you have the right financial statements there are people there to participate by equity or debt.

"I am confident that funds will definitely want to enter, regardless of their past experience.

"I think they will buy ships massively and they will allocate them to a circle of shipowners and then assess the results."

Mr Rokkos said that it was important for shipping companies to offer "operational transparency", including making real-time data direct from the ship available to investors.

Funds could benefit from establishing wider networks of shipowner-managers for benchmarking purposes before deciding on which companies should be allocated more tonnage, said Mr Rokkos.

Marily Frangista, managing director of Franco Compania Naviera, which has been involved in joint ventures with equity funds since about 2000, said that such ventures could be successful if properly established.

Chemistry between partners, trust and clear objectives were all important, she said.

“One should not only be thinking in terms of returns,” said Ms Frangista. "We all know the market is the market. [Joint ventures] should be judged on how solid they are and if the partners are there to invest together."

In the best cases, “large amounts of capital can be realised so you can acquire more ships and create diversity”.

One of the main potential problems of sourcing private equity was that “the timeline of private equity funds is not the same as shipping cycles,” said Ms Frangista.

Prospects for funds providing debt to the industry were also positive, according to a number of bankers.

“We think this environment is good for money lenders to get good returns,” said Konstantin Driker, managing director of DVB Capital Markets. “What they want to see is cash flow. They will come back,” he said.

Philipp Wunschmann, head of shipping at Berenberg, said: “We see a lot of funds rethinking their return requirements, so we might see a new wave of capital coming in that is more mature and more sensitive to the industry.

“We need these investors to maybe bring down their return requirements and make it feasible for the shipping industry.”
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(5) Hellenic Shipping News, 17 October 2016/ Livemint

Alang swept by winds of change

On 10 October, India’s ship verifier Indian Register of Shipping, or IRClass, opened an office in Alang, Gujarat, joining a growing band of ship verifiers who are setting up shop to tap potential as ship-recyclers located along the world’s largest stretch of ship breaking beaches upgrade their facilities to conform to multiple global rules.
One set of rules has been put in place by the International Maritime Organization (IMO) and another by the European Union (EU) to ensure end-of-life ships are dismantled without posing risks to human health, safety and to the environment.
So far, some 11 recyclers have won certificates of compliance with the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships that was adopted by IMO in 2009. It is, however, yet come into force as it has not been ratified by 15 states, representing 40% of world merchant shipping by gross tonnage (capacity) and a maximum annual ship-recycling volume not less than 3% of the combined tonnage of the states, to take effect globally.
While four ship-recycling yards have been certified for compliance with IMO’s Hong Kong Convention by the Japanese ship classification society Class NK, seven have been certified by the Italian classification society RINA. The four ship-recyclers certified by Class NK have also applied to the European Commission to be included in its list of approved recycling facilities where ships flying the flag of a European Union (EU) member-state should be sent for dismantling.
IR Class Systems and Solutions Pvt. Ltd, a unit of IRClass, certified these four yards according to EU standards as an independent verifier.
More recyclers in Alang are rushing to upgrade their yards to meet the global standards.
About 25 ship-recycling facilities have approached IRClass for different services which include compliance audit against the Hong Kong convention, EU compliance audit and ISO certifications.
Alongside, there are two separate yet related developments that are unfolding.
Green ship recyclers have set up or are setting up entities that buy ships for cash within their groups for exclusive needs. Also, certified yards are buying more facilities in the area to build scale to be able to break more ships as demand picks up for responsible ship breaking from shipowners.
In the ship-breaking industry, fleet-owners don’t sell their end-of-life ships directly to a recycling yard. They are first sold to a cash buyer (a sort of middlemen) who sells them to a recycler who pays the best

price. Thus far, shipowners had no control over where their ships are taken apart. As aresult, 70% of old ships were broken up at sub-standard yards.
There are now as many as eight recyclers who have cash buying entities within their group.
Leela Ship Recycling Pvt. Ltd has GMS Inc., the world's largest cash buyer of ships for dismantling. Anil Sharma, the president and chief executive officer of GMS, and Komalkant Sharma, who runs Leela Ship Recycling, are brothers.
RL Kalthia Ship Breaking Pvt. Ltd, Priya Blue Industries Pvt. Ltd and Shree Ram Vessel Scrap Pvt. Ltd are among others that have set up cash buying entities. Most of these cash buying entities are located in the maritime hubs of Singapore, Hong Kong, London and Dubai.
Fleet owners such as Maersk Line are seeking out recyclers that have their own cash buying entities to make sure their ships are recycled at safe and environmentally responsible facilities. Maersk does so by writing specific clauses into contracts with cash buyers. That's how two of Maersk Line container ships ended up at the facility of Shree Ram, a yard certified for compliance with the Hong Kong Convention that has under its fold NKD Maritime, an outfit based in London. Shree Ram also passed a separate, rigorous audit carried out by Maersk for compliance.
The world's top container shipping firm is currently auditing more Hong Kong-certified yards at Alang as well as those close to getting such a certification in accordance with its own standards, with an eye on spurring competition and realizing better prices for its ships that are being retired.
An exclusive entity that buys old ships for cash has thus become important for recyclers.
Recyclers have started to realize that a single upgraded green facility will deny them more business unless they add capacity. That also explains why more yards are upgrading regardless of whether they have cash buying units within their fold to catch the spill-over business looking for green yards.
Ship-breaking plots at Alang are of varying sizes. Some have a 30 metre water front that can break one ship, 50 metres that can sometimes accommodate two vessels according to size, 65 metres that can dismantle two ships easily and 120 metres that can simultaneously recycle three capesize ships, the biggest of the dry bulk carriers.
Recyclers are snapping up adjacent yards and turning them into bigger plots with a larger water front. Shree Ram, for instance, is close to adding two more yards, adjacent to its facilities, to the three it already owns. When this happens, Shree Ram will have a waterfront of 420 metres, making it the largest recycler at Alang by capacity, capable of breaking as many as seven ships at a time.
Priya Blue is also close to buying another yard.
Of course, the new yards will have to be made compliant with global standards to reap the benefits but will gain from the experience and expertise of upgrading their first yards.
Things are changing at Alang, once vilified for frequent accidents and deaths, as the next generation of mostly family-run business steps in to run the show, embracing new global standards and processes.
One example is Naeem Masani, 27, the managing director of Luck Group, which runs YS Investments Pvt. Ltd, a yard that is hoping to get a Hong Kong convention compliance certification from Class NK within the month.
Source: LiveMint
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(6) Hellenic Shipping News, 5 October 2016/ Port Strategy

Keep it moving

The breakbulk sector has received more attention of late on the back of the large number of major infrastructure and commercial projects underway worldwide, as well as excess capacity that has created record low rates in the ship operator's primary markets.
Demand for machinery, equipment and components for the construction of these projects has been strengthening of late, highlighting inefficiencies and putting pressure on ports to improve the way they handle breakbulk cargo.
The most obvious solution to overcome inefficiencies in breakbulk handling is investment in facilities and processes. Manila-based Harbour Centre Port Terminal (HCPTI) has done just that, investing in new facilities to respond to the volume of breakbulk cargo coming through its terminal.

Last year, vessels calling at the terminal had not only become bigger, but the size and volume of cargo had also grown beyond expectations.

Accordingly, HCPTI constructed an additional cargo storage containment facility; completed its year pavement project to ensure safety and ease of movement inside the yard, connect different yard areas and accommodate trucks with heavier loads; fabricated the bulk conveyor system; and embarked on a program to replace its aging equipment that doubled efficiency.

Further, HCPTI has invested in additional cargo bays to increase the terminal's storage capacity from 2,000 mt to 6,000 mt. It has also constructed a concrete wall to protect the west end portion of the terminal and accommodate barge operations, and rehabilitated sheet piles that had been around for 20 years.

Fenders and bollards have also been replaced to accommodate heavier vessels, while continuous dredging is being done. More truck scales are being installed, and 10 trucks were recently imported for immediate unloading of cargoes from vessels.

Investing in an all-weather terminal is another potential opportunity for ports to improve breakbulk handling efficiency, offering the ability to process breakbulk cargo at any time of day, in any conditions.

Currently, only Antwerp – Europe's largest breakbulk port – and a handful of other ports have invested in such a terminal but, for those few, it seems to have saved time and costs, and allowed more room to plan cargo handling and subsequently guarantee run through times – not to mention prevented damage to the cargo.

PERFECT FIT

Another solution for ports is to purchase a wider range of cargo handling attachments. Finland-based manufacturing company Stevenel offers fully and semi-automated attachments to improve loading and unloading operations for breakbulk cargo.

Typically, the cranes with which their spreaders are used are fully hydraulic material handling cranes, weighing between 60 tonnes and 220 tonnes. Where fully automated cargo handling spreaders are concerned, labour force can be kept to a minimum and the cost of the service which the port operator is providing is, therefore, also minimised due to the high efficiency of modern lifting equipment.

According to the company, wood pulp handling using a Stevenel PU-4 spreader with a 120 tonne size material handling crane, can record a production rate of 450 tonnes per hour, while automated catching and releasing of the pulp unit wires means that just one crane driver is needed for the operation.

With a manual spreader, the production rate is much lower, at 150 tonnes per hour. What's more, four dockers are required at the quay or at the hold of a vessel. In addition to increased productivity and enhanced total economy, Stevenel claims minimised cargo damages and improved working safety as benefits that come with using its attachments, while also boasting 50% to 80% improved loading capacity compared with traditional rope cranes.

In real time

Additionally, ports have an abundance of technology at their fingertips which can be used to process breakbulk cargo more efficiently.

Georgia Ports Authority (GPA), for example, uses General Cargo System (GCS), a tracking system designed to process breakbulk cargo more quickly, and provide real-time freight tracking for GPA and its customers.

GCS shows cargo headed to the Port of Savannah and its current stage in transit, which enables GPA to prepare for and expedite handling of shipments down to the item level. In addition to offering faster truck turn times and improved cargo visibility for the authority and its customers, the technology allows GPA to detect and order deadline cargo as it becomes available at a Savannah rail yard.

"Our central aim was to collect shipping data prior to cargo arrival," says Bill Sutton, director of information technology at GPA. "The result has been dramatic time savings – railcar ordering that previously took two hours of manual processing now takes just 15 minutes to complete."

Mr Sutton adds that using GCS has greatly reduced manual data entry and data lag while providing information access for management, administrative and field personnel.

DBIS, part of specialist software and consultancy services company TBA, offers a similar package for breakbulk terminals called CommTrac, which promises to save costs and increase revenue for breakbulk terminals.

CommTrac is interfaced to an enterprise resource planning (ERP) business planning software that collects, stores, manages and interprets data from many business activities to manage reception, storage and delivery; calculate revenues and generate invoices automatically; provide real time overview of inventory tonnage and position, discharge and loading progress, and delays and variances; and give accurate, error free information with provable compliance to quality assurance.

The port of Antwerp also launched the Antwerp Port Community System (APCS) last year – a new breakbulk application for more efficient freight handling. APCS (Antwerp Port Community System) platform connects all parties involved from shipper to carrier, including customs and other statutory authorities.

When the software was launched in March 2015, Antwerp told Port Strategy it was confident it would “defend and even increase its market share of breakbulk”, however it has been unable to overcome the general malaise affecting volumes. In the first half of the year, the volume of conventional breakbulk was down by 1.7% to 4.75m tonnes, despite a 12.3% increase in steel volumes to 3.75m tonnes).

PRACTICAL APPROACH TO INNOVATION

Perhaps the most practical approach to innovation is to look at the facilities ports already have and consider different ways to use those facilities in order to improve breakbulk handling without any, or as much, cost.

For instance, are routing paths being regularly assessed? Is data being collated and used effectively? Is there a method in place to quickly detect and act on critical activities and bottlenecks?

California-based Pasha Stevedoring and Terminals attributes the successful movement of project cargo to the proper execution of the intricate details involved. This includes explicit and thorough pre-planning by supervision, steady labour and gearmen. What’s more, it says, it’s important to examine and secure or fabricate gear specialities in advance to ensure smooth operations. Pasha Stevedoring and Terminals also offers special hours to accommodate inland transportation so that trucks can make late-night curfews for over-the-road inland transportation.

Additionally, being aware of the latest technologies, innovations and handling practices can be extremely valuable in terms of implementing the best practices and maintaining an optimal supply chain.

Further, ports should not only consider the equipment they have, but also the people they work with. Achieving successful outcomes requires colleagues who know the right questions to ask and where to turn if they don’t have all the answers in decision making.

Therefore, it’s important for ports to have open lines of communication with all of the key breakbulk players, including lines, stevedores, terminals and carriers, to ensure shipments proceed without any incidents. Such communications also make it easier to deal with inevitable surprises.

Source: Port Strategy

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