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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.

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Editorial comments

- Last year, global ***orders for new ships*** fell to exceptionally low levels (item 1). While this outcome was bad news for shipbuilders, it was good news for shipping markets, contributing eventually to the move towards reducing excess capacity and improving freight market rates.
- More statistics dissecting the ***world fleet of ships*** in 2016 show sharply contrasting changes among the largest shipowning countries. The fleets owned by Greeks and Chinese investors expanded rapidly, but the Japan-owned fleet was marginally reduced and the German-owned fleet declined substantially (item 8).
- Fleets of ships registered by the ***top flag states*** increased at varying rates last year. Marshall Islands, the number three by size saw very strong expansion, while the biggest flag state Panama experienced relatively slow enlargement.
- Prospects for the ***tanker market*** in the next twelve months are not especially bright, but may improve during the following year, according to a broking firm (item 3). Demand for tankers is expected to increase only marginally this year, while the fleet continues to see brisk growth.
- The circumstances of the ***world fleet of refrigerated ships*** provide an interesting example of the impact of competition among sectors. This market segment continues to diminish (item 4), amid intense competition from liner services carrying refrigerated products in containers.

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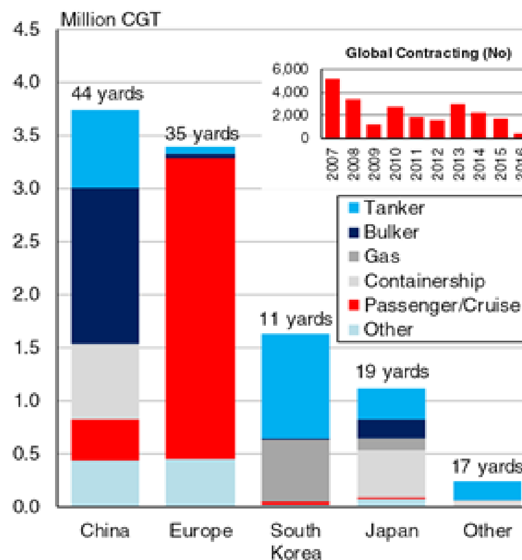
(1) Clarksons Research, 20 January 2017

2016 Contracting: Hard To Find Our Bearings

Contracting activity in 2016 fell to its lowest level in over 30 years in numerical and tonnage terms. Low levels of newbuild demand have continued to limit ordering across the majority of vessel sectors, and the majority of shipyards have struggled to win orders. However, record ordering activity in the cruise and passenger ferry sectors did at least provide a degree of positivity for European yards in 2016.

Graph of the Month

Contracting In 2016: Counting The Orders



The bars on the graph illustrate total reported 2016 newbuild ordering in CGT terms, broken down by vessel sector. The data labels show the number of yards that are reported to have secured at least one order for a vessel of 1,000 GT and above in 2016. Global contracting in numerical terms is shown in the inset graph.

Source : Clarksons Research

Contracting Going South

The 480 vessels reported ordered in 2016 represent the lowest level of newbuild contracting in over 20 years. While ordering in the containership and tanker sectors declined, the 48 and 46 vessels that were contracted in the bulker and offshore sectors respectively in 2016 represented record lows. The orders that were placed in 2016 were also 'smaller' when compared to 2015, with owners contracting vessels as single units or in pairs. There were only 10 contracts placed for 5 vessels or more in 2016, compared to 63 contracts in 2015. The number of yards reported to have taken an order for at least one vessel (1,000+ GT) in 2016 fell to just 126, down 47% from last year's total of 238 yards.

All Quiet On The Eastern Front

A total of 44 Chinese yards were reported to have secured 212 orders of a combined 40.0m CGT in 2016, the largest volume of orders by builder country. This is a 66% y-o-y decrease in contracting volumes in CGT terms. Orders for 30 Valemax bulkers at four yards made up 36% of CGT ordered at Chinese yards in 2016. 11 South Korean yards were reported to have taken orders for 59 ships of 17.8m CGT in 2016, down 83% y-o-y in CGT terms. The tanker and gas carrier sectors accounted for 97% of contracts in terms of CGT, with no boxship orders reported at Korean yards last year. 19 Japanese yards reportedly took 64 orders in 2016, and contracting levels declined 89% y-o-y to 1.3m CGT. Domestic ordering remained important with Japanese owners accounting for 67% of CGT ordered at Japanese yards last year.

Sun Rising In The West?

Meanwhile European shipyards secured a reported 93 orders of a combined 3.4m CGT in 2016. This is the second largest volume of orders in terms of CGT in 2016 and placed European yards ahead of their

South Korean and Japanese counterparts for the first time since 1999. Ordering at European yards in 2016 decreased 29% in numerical terms from 2015 levels, however in terms of CGT contracting increased by 33% y-o-y. This was greatly assisted by record newbuild interest in the cruise and passenger ferry sectors in 2016 and these vessel types account for 83% of the total CGT ordered at European yards in 2016. 15 orders for large cruise ships (100,000+ GT) accounted for 61% of orders in CGT terms. However of the 35 European yards reported to have taken an order in 2016, only seven won a contract in this sector.
Overall, 2016 was a very weak year for newbuild ordering and this has been felt across most vessel sectors and by most shipbuilders. The big Asian nations all experienced downturns in contracting, though strong cruise ordering supported some European yards, allowing them to ascend the builder rankings. As we begin 2017, yards in most parts of the world will be hoping for a brighter year.
Source: Clarksons Research
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(2) BIMCO, 25 January 2017

Container shipping lines earned $42 less per TEU in 2016

The container shipping lines received an average rate 7% (42 USD) lower in 2016 than in 2015, if they operated in the spot market on all Shanghai Containerized Freight Index (SCFI) trade routes. This has primarily been due to the devastating low rates received in the first half of 2016, as the average rate received in H2 2016 was 22% higher than the rate received in H2 2015.
The freight rates managed to gain momentum through second half of 2016, due to measures taken from the shipping lines in terms of network optimisation, scrapping and more careful deployment around the peak season.
As the freight rates increased through second half of 2016, 2/3 of the trades on the SCFI closed 2016 at a higher rate than in 2015 and three trade routes hit the highest USD per TEU for a week 52 in more than five years, those where trades from Shanghai to Santos, Durban and Australia/New Zealand.

		Average rate 2015	Average rate 2016	Change in USD	Change in %
SCFI	USD/TEU	623.76	581.69	42.07	-7%
Europe	USD/TEU	620.61	687.17	66.56	11%
US West coast	USD/FEU	1,489.85	1,266.39	-223.45	-15%
US East coast	USD/FEU	3,140.85	2,089.30	-1,051.54	-33%
Singapore	USD/TEU	185.31	69.85	-115.45	-62%
Korea	USD/TEU	159.52	103.65	-55.87	-35%
Taiwan	USD/TEU	194.87	153.28	-41.58	-21%
Hong Kong	USD/TEU	56.23	55.02	-1.21	-2%
CCFI	INDEX	875.00	711.71		-19%

Source: BIMCO, Shanghai Shipping Exchange Note: US trades based on USD per 40ft unit/FEU

China Containerised Freight Index (CCFI) reflecting China's nationwide export of containers, is showing a 19% drop from 2015 to 2016. The short-lived spikes in spot rates during H2 2016, is not included in the CCFI compared to the SCFI and thereby the CCFI achieves a higher negative growth in 2016.
The CCFI includes both spot and long-term rates based on the actual transactions within a two weeks periods, while the SCFI focuses on the average spot booking price for one week. By that, the CCFI reflects the real progress in container shipping rates on a short-term basis. Thereby, the CCFI convey the current tendency in the container freight development and the SCFI indicate the current market development.
Furthermore, the SCFI concentrates on export containers from Shanghai Port only, while the CCFI covers the 10 major ports in China.

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BIMCO's Chief Shipping Analyst Peter Sand comments:
Despite the average rate for 2016 is lower than 2015, 2016 might stand out for something positive, where the container shipping lines took some of the measures needed to adapt to the new normal, where the growth in demand is equal to the GDP.
The container shipping lines achieved a lower growth rate in supply higher than the demand growth for the first time since 2010, by using the tools they had at hand and consolidated, scrapped and postponed deliveries.
If the Trade-to-GDP-Multiplier stays at the current level and the International Monetary Fund is correct with their projection, the container shipping industry will be status quo in 2017 and the freight rates will most likely stay at the same level as last half of 2016. However, the container shipping lines will increasingly focus on reaping the benefits of consolidation and we will most certainly see their profits go up.

US earnings are the main driver for a lower average rate
The container shipping lines operating from Shanghai to Europe earned 66.56 USD more per TEU transported in 2016 compared to 2015. The average freight rate for Europe in 2016 was thereby the only of the major trade routes to surpass 2015 level.
For the US East Coast bound containers from Shanghai, the container shipping lines earned an average of 1,051.5 USD less per transported FEU in 2016 compared to 2015. It is the biggest decline in USD for any of the trades on the SCFI and as it weighs 20% in the index, similar to Europe, it is the main driver for a lower average freight rate in 2016 compared to 2015. For the containers exported to the US West Coast, the container shipping lines earned an average of 223.5 USD less per FEU in 2016.
Container freights rates in second half of 2016 does not revive intra-Asia
Container shipping lines operating trade routes from Shanghai to South Korea, Taiwan, Hong Kong and Singapore all achieved a lower average rate for 2016 compared to 2015. The four trades did not experience similar increases in the rates, as the main trades during H2 2016 and remained on par with the poor H1 2016 level.
With the mergers and newly established alliances entering into force and the supply side handled with care, the container shipping industry will hopefully see better profits and fleet utilisation.
Our most recent shipping market overview and outlook reports on related issues:
The shipping market in 2016 and looking forward

- demolition activity slowly but steadily grows…yet again
- container shipping: Severe overcapacity in the market and recently agreed contract rates
- lowest level of newbuilding contracts in 20 years
- substantial demolition of panamax containerships.

Source: BIMCO
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(3) Hellenic Shipping News, 26 January 2017/ McQuilling Services

2017 to be a down year for owners of all tanker classes says McQuilling Services

McQuilling Services is pleased to announce the release of its 20th Anniversary Edition 2017-2021 Tanker Market Outlook. This 200-page report provides a five-year spot and time charter equivalent (TCE) outlook for eight vessel classes across 19 benchmark tanker trades, plus two triangulated trades. Also included in the report is a robust five-year asset price outlook as well as a one and three-year time charter forecast through 2021.
With 20 years of tanker rate forecasting expertise, McQuilling Services is a leader in the industry and continues to support a variety of stakeholders in the energy, maritime and financial services industries with its annual Tanker Market Outlook.

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Methodology

The McQuilling Services rate forecast is based on the evaluation of historical and projected tonnage supply and demand fundamentals in the tanker market within the current and projected global economic environment, including oil supply and demand expectations. The forecasting process begins with the development of quantitative models, which are used to measure the correlation between historical freight rates and tanker supply and demand. This fundamental approach has proven to be reasonably predictive over the past 20 years. However, the forecasting process evolves past the modeling stage when the quantitative results are balanced with experiential knowledge and reasonable market assessments.

Key findings from 2017

Between 2015 and 2016, global ton-mile demand to transport crude and residual fuels increased by 4.6%, supported by a 5.6% increase in VLCCs (which accounted for 63% of the total demand for dirty tankers). Suezmax demand accounted for 23% of all DPP demand in 2016, 1% lower than 2015 due to underutilization in West Africa.

We recorded an advancement in the major Middle East > Far East crude oil trade in 2016 by about 5.5% from 2015 levels, while over this year's five-year forecast, we believe that increasing domestic demand for Middle Eastern crude oil by an expanding regional refining sector may decelerate demand growth to an annualized growth rate of 1.2%.

Clean product ton-mile demand grew by 7.1% in 2016 versus year ago levels. A large supply of refined products in the Middle East and India outpaced demand growth, increasing product exports. Significant volumes of gasoil were witnessed on the Middle East > Northern Europe regional trade, contributing to a 27% rise in CPP ton-mile demand on the route.

Our trade flow analysis indicates that US Gulf CPP exports averaged 7.96 million monthly tons in 2016, up about 0.6% from 2015 levels; however, more interesting is the 4% corresponding increase in ton-mile demand. Ton-mile demand on the US Gulf > East Coast South America trade was up 63% in 2016 due to lower product supply in Brazil as domestic refinery intake declined by approximately 135,000 b/d.

Actual vessel deliveries in 2016 totaled 265 vessels. This was 78 below our expectation given at the start of the year. This represents a slippage rate of approximately 22.7% in deliveries from our original forecast. The slippage can be attributed to yard delays and cancellations from the large orderbooks in previous years, owners altering ship specifications during the construction phase and financing constraints.

Only 31 vessels were removed from the trading fleet in 2016 amid a relatively strong earnings environment and declining steel prices.

Throughout the year, we recorded a total of 134 tankers placed on order, of which 66 were DPP vessels. This is the lowest level of DPP orders since 2012 when 47 vessels were placed on order. Clean product tanker orders numbered 60 in 2016, while just eight chemical MR tankers were ordered, the second lowest level on record.

Looking forward

Global economic growth is expected at 3.4% in 2017 as mature economies are forecasted to grow 1.8%, while emerging nations are on track to advance 4.6% as commodity-producing countries (Russia, Brazil) exit recession.

The IEA projects that world oil demand will grow by 1.32 million b/d in 2017 with a majority of the demand growth expected from non-OECD countries. OECD demand growth is expected to stagnate in 2017, while non-OECD demand will rise to just over 51 million b/d.

Crude and residual fuel ton-mile demand is projected to increase by about 0.7% on an annual basis throughout the forecast period. We project 2017 demand growth of 0.3% amid lower oil output from participants in the OPEC and non-OPEC production cut agreement and a pick-up in global inventory draws. Meanwhile, clean product ton-mile demand is expected to experience a marginal increase of 0.22% in 2017.

On the basis of supply side risks, we expect 2017 to be a down year for owners of all tanker classes with VLCCs averaging around US $27,000/day and about US $12,500/day for MR2s on a triangulated basis. However, earnings in 2018 are expected to improve slightly across all tanker segments, given a decelerating supply outlook and increasing oil supply.

MR earnings on a round-trip basis are expected to be mixed with TC2 TCEs averaging US $8,400/day in 2017, while the USG/Carib round trip voyage is estimate at US $12,400/day for 2017. TC14 earnings are forecasted to be the lowest of the trades we track at US $4,300/day; however, on the triangulated basis (TC2/TC14) owners will earn around US $12,400/day in 2017 and increase to US $14,200/day by 2019.

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The relationship between time charter rates and spot market earnings was strong in our analysis and formed the foundation for our time charter forecasts. For VLCCs, we project 1-year and 3-year time charter rates to average US $30,000/day and US $32,000/day in 2017, respectively.
Our 2017 price forecast for the 5-year old crude tanker sectors sees VLCC values averaging US $59.0 million, a 14% decrease from the 2016 average price of US $68.8 million and a 1.6% decrease from current levels. Modern Suezmax tankers are projected to demand US $38.0 million in 2017; however, by 2021 we project the values of these tankers to reach US $51.0 million amid a pickup in earnings. Panamaxes values are likely to fall to US $20.0 million in 2017, with further depreciation expected to 2021.
Clean tankers of this age group (5-Year) are expected to see lower prices relative to their 2016 averages. For the LR2, we forecast a 2017 average price of US $30.5 million, a 33.0% decrease from the average price recorded in 2016, while the LR1 sector is expected to decline a more modest 20.0% to US $25.9 million. The MR2 tanker is likely to depreciate 21.8% to US $20.5 million; however, a recovery to 2016 levels is expected to occur in the medium term.

What's New in 2017?

In the 2017-2021 Tanker Market Outlook we have incorporated a variety of new features to provide our clients with a more robust view of global trade flows and major tanker trades:

§ Incorporated the use of "big data" by utilizing remotely sensed vessel position data to track real-time demand, fleet deployment and utilization across the various tanker sectors

§ Expanded our five-year forecast for freight rates and TCEs by one additional trade (USG/Carib) for MR tankers (38,000 mt), totaling 19

§ Increased the capture and scrutiny of non-OECD country bilateral trade through continued collaboration with clients and other parties, as well as the use of industry datasets, enabling us to exceed 95% coverage of global trade flows.

§ Developed bunker price forecasts on a regional basis to provide clients with the most accurate trade-specific TCE earnings

§ Through the use of enhanced database techniques, we streamlined data distillation processes for tanker supply and demand development, reducing manual interventions and data inconsistencies and thereby increasing data integrity.

Source: Mcquilling Services
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(4) Hellenic Shipping News, 28 January 2017/ Dynamar

Reefer Shipping Hits Rocky Shores as Rates Tumble in 2016

The seaborne transport of fresh produce in both conventional reefer ships and refrigerated boxes is estimated to have reached 108.5 million tons in 2016. This equals some 16,900 laden conventional reefer ships of 500,000-cu.ft average, or 3.65 million filled 40' High Cube reefer containers. The maritime transport of fresh produce grew faster than the overall world seaborne trade of dry cargoes of all kinds. Hence, the fresh share increased to, a nonetheless still modest, just over 4%.

In calmer conventional waters?

The conventional reefer sector went through difficult years, but compared to containers it seems to have arrived into calmer waters, that is to say, if it comes to mergers and takeovers. Actually, there were just three of those, all of them less spectacular than the likes of previous years:

– Eimskip acquired Nor Lines – including one conventional reefer ship
– Samskip took full control of Silver Green – 7 small conventional reefers (fish)
– Fruit trader GF Group is to merge with ditto Glenata Food – no ships involved

If considering rates, however, the conventional reefer seas were extremely rough, again. Annual average 2016 Time Charter Equivalents (TCE) for the 270,000 cft benchmark were the lowest since 2010; at 39 dollar cents for 450,000 cft vessels, they were even the worst ever in 10 years time!

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Container sector contrast and similarity

The largely absence of conventional reefer M&A activities stands in stark contrast with the container sector. Here, the 2016 consolidation engine was running at full speed. Including one sad failure, potentially eight traditional names have been/will be sent into history. Invariably they all concern east-west operators, but yet, the larger entities' refrigerated box fleet and their onboard plugs make them (more) substantial reefer trade players:

- China Shipping into Coscon (Feb) – reefer TEU 88,000 – plugs 136,000
- APL by CMA CGM (Jun) – reefer TEU 293,000 – plugs 258,000
- Hanjin, sadly going under (in Sep) operated: – reefer TEU 35,000 – plugs 55,000
- UASC into Hapag-Lloyd (1Q2017) – reefer TEU 205,000 – plugs 146,000
- "K" Line, MOL, NYK joint venture (Sep 2017) – reefer TEU 211,000 – plugs 129,000
- Maersk Line taking Hamburg Süd (late 2017) – reefer TEU 677,000 – plugs 462,000

Cost reduction in the form of larger, less fuel consuming, more efficient ships has been the container segment's answer to ever falling rates. Generally, box operators are very proficient market readers, but this time less so and things got out of hand. Too many too large ships were ordered, which in combination with a stumbling market induced a bitter rate war.

Chasing for anything that could serve as a cost contribution, no cargo was holy. Refrigerated cargoes not either and during 2016, also due to a weakening reefer trade environment, at time rates fell to USD 700 per 40', Perhaps better than the revenue of a dry box, but a 40' reefer costs some USD 16,000 to build, more than 6 times the price of a standard box. Moreover, carrying a reefer incurs additional fuel (costs) to provide the correct temperature and ventilation to the cargo: at sea, on the quay and overland. How much cost recovery would a USD 700 revenue be?

Russian perishable imports by origin

IMPORTS Russia Region	Growth '15/'14	Avg Growth '15/'06	2015 tons	2014 tons	2013 tons
Europe	-38%	-2%	3,244,000	5,259,000	6,651,000
Far East	-2%	-6%	1,062,000	1,083,000	988,000
Australasia	-60%	-14%	31,000	77,000	115,000
ISC	25%	20%	195,000	156,000	172,000
Middle East	-15%	11%	343,000	403,000	331,000
Africa	20%	9%	1,496,000	1,242,000	1,042,000
North America	-94%	-36%	19,000	320,000	453,000
C. America/Carib	-19%	-5%	50,000	62,000	78,000
South America	-5%	1%	2,479,000	2,611,000	2,573,000
Total	**-20%**	**-2%**	**8,920,000**	**11,214,000**	**12,404,000**

A reefer ship orderbook? It exists!

By the end of 2016, the reefer ship-orderbook counted a relatively healthy sixteen units, with their capacities ranging between 120,000 and 650,000 cft. Most, if not all of the smaller, up to 350,000 cft, units will be for the fisheries trades, including four on order by Seatrade. Just four vessels are of the largest sizes and assumed all to be for Star Reefer. The Anglo-Norwegian company itself has so far confirmed only two of them of which the first delivered in very early days of 2017.

A continuously shrinking vessel armada

With the average age rising and an overall restricted newbuilding activity, the conventional reefer ship fleet continues its decline, although now slowed somewhat by the current orderbook and the four ships delivered in 2016. Yet, by 2025, ships built before 1995 will reach the average scrapping age of 30, altogether causing the fleet to fall by around 35% to some 400 units.

… and a slower growing box fleet

Completely against the trends of previous years, at an estimated 135,000 TEU, the 2016 production of reefer boxes halved as compared to the year earlier. It may be considered a reflection of the signalled weakening reefer trade environment with the single advantage of a lack of equipment shortage.

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Top 10 conventional reefership operators

Ranking	Operator	Ships	Cft capacity	Share
1	Seatrade	56	29,538,000	14.7%
2	Baltic/Cool	42	24,785,000	12.3%
3	Frigoship	33	11,581,000	5.8%
4	GreenSea	36	10,537,000	5.2%
5	Network Shipping	19	8,760,000	4.4%
6	Star Reefers	10	5,733,000	2.9%
7	Great White Fleet	9	4,925,000	2.4%
8	Africa Express	8	4,470,000	2.2%
9	Maestro	6	4,079,000	2.0%
10	Boyang	14	3,225,000	1.6%
Top 10		**233**	**107,633,000**	**53.5%**
Other operators		386	93,450,000	46.5%
Grand Total		**619**	**201,083,000**	**100.0%**
Share Top 10		38%	54%	

Note: Capacity has been allocated to the carrier actually responsible for the long-term commercial operations of the ships

Staying with containers

In the last quarter of 2016, 872 reefer heavy ships accepting containers operated 133 different South-North services originating in Latin America, Africa or Australasia. This represented a weekly capacity of 488,000 TEU along with the onboard availability of 71,000 reefer plugs. Apart from some smaller differences, the overall operated capacity, in terms of slots and plugs, remained largely unchanged in comparison to 2015. It is the first time in years this happening.

The largest operators

Despite its serious flirt with containers, at the same time Seatrade Reefer Chartering continuous to be the largest conventional reefership operator with an, albeit reduced fleet of 56x 527,500 cft average ships. Baltic Reefer including its subsidiary Cool Carriers comes second with 42 units/590,000 cft average, followed by Lavinia-controlled Frigoship Chartering: 33/351,000.

In the container segment, measured by reefer plugs on ships operated on the South/North routes, Maersk Line is, again, the number one with 115,000 plugs. MSC comes second with 86,000 devices, having Hamburg Süd sitting on its heels with 79,000 such connections. Combined, Maersk Line and its future subsidiary Hamburg Süd operate 195,000 reefer plugs on the South/North routes, equal to a relevant share of 36%!

Source: Dynamar

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(5) UK Chamber of Shipping, 26 January 2017

UK: Shipping industry unites in call for government action on seafarer numbers

In response to a new report which warns of chronic UK seafarer skills shortages by 2026, all sides of the shipping industry have united to call for urgent government action to tackle a growing crisis in UK maritime training and employment.

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

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The annual UK Seafarer Statistics report shows that the number of certificated UK officers working at sea fell 3% last year — with the total of 10,650 being 22% down over the past decade. The number of UK deck and engine ratings again declined, by 8% and 15% respectively over the same period, and the total number of UK ratings at sea has fallen 25% in the last five years to the 2016 total of 8,880.
The total number of UK seafarers has fallen by over 14% since 2006, to just over 23,000.
Last year also witnessed a 3% decline in the number of officer cadets in training — and the number of new entrants under the Support for Maritime Training (SMarT1) scheme fell to 750 — a decrease of 9% from 2014/15.
Chamber of Shipping CEO Guy Platten said: "Industry and unions are united in their ambition to reverse the long-standing downwards trend in seafarer recruitment and training. Together we have developed a proposal for an enhanced Support for Maritime Training regime that would see more seafarers being trained in return for additional government support. Seafarers are among the most productive workers in the country, and the economic case for government action is clear.
"The UK is one of the world leaders in maritime services, but we will only keep it that way if we have a constant supply of seafarers developing their experience and expertise. We know that young people want a career at sea, and we know companies want to invest in skills — we just need government to back the industry."
Nautilus General Secretary Mark Dickinson added: "These are deeply disturbing statistics for an island nation. This should be a wake-up call for the government to deliver on the policy promises made in the Maritime Growth Study. The time for talking is over — this is a critical industry and we really need to take tangible action to safeguard the employment and training of British seafarers into the future."
RMT General Secretary Mick Cash said: 'Today's Seafarer Statistics again highlight the crisis facing UK seafarers who continue to be replaced by non-domiciled seafarers. The supply of UK ratings to the industry remains a trickle and maritime unions and the shipping industry agree that the government need to get an immediate handle on the number of Ratings the industry must train over the next decade in order to avoid a dangerous and destabilising skills deficit.
"UK seafarer training and skills must be a central component in the industrial strategy currently being drawn up by the government, otherwise we risk losing control of our economic future. The maritime unions and industry have proved through the Maritime Apprenticeship Trailblazer Working Group and Tonnage Tax reform that we can work together. It is now up to the government to clear the barriers to training the next generation of UK ratings and officers."
Source: UK Chamber of Shipping
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(6) Lloyd's List, 19 January 2017

Making something happen

- by Michael Grey

A UK parliamentary committee is to examine progress made since the Maritime Growth Study was published, but will that accomplish anything other than a vast accumulation of paper?

IN journalism you have to steel yourself against being too "adjectival" and sometimes it is jolly difficult. That is until you find yourself descending into irony, when you can make a New Year's resolution to be more disciplined and direct. Thus, a *high-level* commission, produces an *in-depth* study, subsequently developing into a *searching* inquiry and a *controversial* (or perhaps *deafening*) report. It is difficult, in an age of spin, to convey mere ordinariness.

I shouldn't be so cynical, but found my mind wandering in such a fashion when I read that the UK's Maritime Growth Study Inquiry, which gave rise to a *much-debated* (sorry) report in September 2015, is now to be the subject of an inquiry by the House of Commons Transport Committee. It will

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examine, *thoroughly* if not *searchingly,* what progress has taken place since the report was issued, in respect of government and industry action.

The committee has invited submissions addressing pretty well all of the main points in the Maritime Growth Study and I guess we should welcome their interest. Will it make any difference? Will it, as it were, hold the feet of industry and government to the fire, and ensure that all the laudable aims of the study will not merely be overtaken by events or lost in the sands of time? I haven't a clue, except that past experience would suggest that inquiries and reports and commissions and the search for "evidence" can sometimes be mistaken for useful action.

Months give way to years and there is nothing meaningful accomplished, other than the vast accumulation of paper. I have seen quite a few of these processes over the years; even given evidence to a couple, but it is quite hard to identify where the gathering of data ever gave way to positive action. It starts to look promising, then the minister, or the whole government, changes and it all gets forgotten as much the same procedure is repeated, but with a different cast.

You might, if you were very charitable and a lot less cynical, suggest that the Transport Committee's scrutiny will ensure that the whole Maritime Growth Study will not get filed away in the "long-forgotten" basket as the government gets down to the nuts and bolts of other distractions, such as Brexit. The industry has the benefit of a reasonably fresh report into relevant issues that face it, an energetic shipping minister and institutions that are arguably working better together than they have done in the past. There jolly well should be progress.

National attitudes

Against this, there is the "real world" and a shipping (and offshore) industry that is suffering from global problems that everyone knows about and which inevitably are reflected in our national attitudes to any solution. There may have been progress in changing the culture of the Maritime & Coastguard Agency and encouraging more ships onto the UK register, for instance, but has there been any real progress at improving the miserly rewards of the government survey service, something that is not unconnected?

And while everybody seems to be terribly happy when Mr Grimaldi registers his fine new Atlantic Container Line ships in a UK port, is there really much gain if there is not a single UK soul employed on them? You might ask why it remains so difficult to find berths for British cadets and trainees on so-called Red Ensign ships (or any other for that matter), and even harder to find a job as a junior officer, once qualified?

It is said that British maritime training is among the most expensive in the world, which begs a lot of different questions. It is expensive because it is so predominantly college-based and it has to be college-based because a trainee on board a ship where barely a soul speaks English as a first language is probably not going to learn a great deal. It is not going to be possible to square that circle. But this is what is on offer, when cheap shipping is judged more important than quality shipping and the world is awash with tonnage that barely makes a living.

And at the end of the day, while a future maritime skills shortage might have been identified, trying to persuade an inadequately rewarded industry to train, rather than poach, is asking quite a lot. You might argue that the marine industry is no different to any other, with plenty of industrialists making angry noises about their access to cheap foreign labour being constrained by Brexit and why they should do anything other than train British young people. I was shouting at the radio just the other day at one of these whingeing "remoaning" manufacturers, who really need to be forcibly trained to train their own when they much prefer to import them at some other mug's expense.

But let us not discourage the enthusiasm of the Commons Transport Committee for speedily uncovering the rate of progress with their *searching* questions. Forget the cynicism of this writer. It's just that I have been here before.
Source: Lloyd's List
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(7) Clarksons Research, 26 January 2017

2016: Dissecting The Numbers Up And Down The Fleet

2016 was another challenging year for the shipping industry. Vessel earnings and newbuild ordering fell to historically low levels and the pace of global fleet growth continued to slow. As illustrated by the World Fleet Monitor, the merchant fleet can be dissected in many different ways and a closer analysis of 2016 shows a variety of trends across the ship sectors, owner countries, flag states and class societies.

Ordering The Owners
The global fleet grew by 3.1% in 2016 to 1,219.8m GT at the end of the year, its slowest pace of expansion since 2003. The European owned fleet grew 2.1% last year to 559.7m GT, maintaining a steady 44% share of the fleet. Meanwhile the Asian owned fleet saw faster growth of 3.5% over the same period to total 501.1m GT, 40% of the fleet. The Greek owned fleet remains the largest globally and grew by 5.4% over the course of 2016 to 202.6m GT. This reflects a 20% year-on-year rise in deliveries to Greek owners in 2016 (11.5m GT). An 11% rise in deliveries to Japanese owners in 2016 (6.3m GT) was balanced by a net 6.5m GT of secondhand sales and the Japanese owned fleet totalled 163.1m GT at the end of 2016, steady year-on-year. Meanwhile, the Chinese owned fleet grew 6.8% in 2016 to 139.2m GT, supported by 8.1m GT of deliveries and a net addition of 4.8m GT of secondhand units.

Segmenting Ship Sectors
Bulkcarrier and containership fleet growth slowed to 2.3% and 0.5% year-on-year in 2016, with the fleets totalling 439.1m GT and 217.1m GT at the end of the year respectively. Demolition activity was strong in 2016 and overall recycling volumes increased 25% year-on-year to a reported 29m GT. Bulkers accounted for 54% of last year's demolition in GT terms while a record volume of boxship tonnage was reported recycled (7.6m GT). Tanker demolition was limited in 2016, at 1.5m GT, and deliveries in this sector were firm, increasing 68% year-on-year to 18.3m GT. This saw the tanker fleet grow by 5.6% during 2016 to 321.8m GT.

Flagging The Growth
The combined fleet of the top 10 flag states increased by 3.4% during 2016 to total 935m GT at the end of the year, equivalent to 74% of the global fleet. The Panamanian flag is by far the largest at 223.8m GT, accounting for 18% of the fleet, and grew by 2.3% over the course of 2016. However, the Marshall Islands and Liberia flagged fleets registered stronger growth of 8.6% and 5.4% respectively in 2016, reaching 134.4m GT and 140.1m GT at the end of last year.

Classing The Societies
The ranking of the top class society fleets was steady in 2016. DNV GL's fleet totalled 268.8m GT at the end of last year, the largest classed fleet globally, up 1.2% on its end 2015 level. The NKK fleet is the second largest at 244.6m GT; it has grown 0.9% since the start of 2016. Meanwhile, the ABS classed fleet registered a faster pace of expansion last year, increasing 4.1% year-on-year to 214m GT. Overall, the IACS fleet grew by 2.7% over the course of 2016 to reach 1,200m GT at the end of the year. This is equivalent to 95% of the world fleet.

Fleet Diagnosis
So, on an aggregate level fleet growth continued to slow in 2016 with firm demolition counterbalancing steady delivery volumes. However, trends across owner countries, vessel sectors, flags and class societies were not uniform. While the general pattern was of slower growth, on closer inspection, as ever, in 2016 there were a wide range of dynamics at play in the world fleet.

(detailed table on next page)

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2016 At A Glance

	2015	2016	+/- %	% Share
1. Global Fleet (m. GT), end year				
Tankers	304.6	321.8	5.6%	25.6%
Bulkcarriers	429.4	439.1	2.3%	34.9%
Containerships	215.2	217.1	0.9%	17.3%
Other Dry Cargo	64.0	63.9	-0.2%	5.1%
Gas Carriers	61.4	67.3	9.6%	5.4%
Other Specialised	41.9	41.7	-0.5%	3.3%
Other	103.3	106.5	3.1%	8.5%
Total	1219.8	1257.4	3.1%	
Total ($bn, est.)	944.0	869.0	-7.9%	
2. Global Orderbook (m. GT), end year				
Total	217.1	158.7	-26.9%	
Total ($bn, est.)	312.0	253.1	-18.9%	
3.Top Owner Countries (m. GT), end year				
Greece	192.2	202.6	5.4%	16.1%
Japan	163.7	163.1	-0.4%	13.0%
China	130.3	139.2	6.8%	11.1%
Germany	92.7	86.6	-6.6%	6.9%
United States	59.7	63.4	6.2%	5.0%
Europe	548.3	559.7	2.1%	44.5%
Asia	484.0	501.1	3.5%	39.9%
4.Top Flag States (m. GT), end year				
Panama	218.7	223.8	2.3%	17.8%
Liberia	132.9	140.1	5.4%	11.1%
Marshall Isl.	123.7	134.4	8.6%	10.7%
Top 10 Flags	*896.5*	*935.0*	*4.3%*	*74.4%*
5.Top Class Societies (m. GT), end year				
DNV GL	265.7	268.8	1.2%	21.4%
NKK	242.4	244.6	0.9%	19.5%
ABS	205.6	214.0	4.1%	17.0%
IACS	1168.8	1200.0	2.7%	95.4%
6. Newbuilding Orders By Owner Country (m. GT)				
China	12.0	7.3	-39.2%	37.8%
Greece	8.0	2.0	-75.0%	10.4%
Japan	17.2	2.1	-87.8%	10.9%
Europe	24.6	5.2	-78.9%	26.9%
Asia	39.9	11.7	-70.7%	60.6%
Total	78.9	19.3	-75.5%	
7. Deliveries By Owner Country (m. GT)				
Greece	9.6	11.5	19.8%	17.3%
China	9.6	8.1	-15.6%	12.2%
Japan	5.7	6.3	10.5%	9.5%
Europe	30.1	28.4	-5.6%	42.8%
Asia	24.0	24.2	0.8%	36.5%
Total	68.0	66.3	-2.5%	
8. Top Buyers Of Secondhand Vessels (m. GT)				
Greece	12.2	9.2	-24.6%	22.5%
China	5.7	4.5	-21.1%	11.0%
South Korea	2.0	1.5	-25.0%	3.7%
Total	47.0	40.8	-13.2%	
9. Demolition By Owner Region (m. GT)				
Europe	8.5	13.6	60.0%	46.9%
Asia	10.6	11.4	7.5%	39.3%
Total	23.2	29.0	25.0%	
10. Average Vessel Earnings, ClarkSea Index ($/day)				
Index	14,410	9,441	-34.5%	
11. NB Price Index (Jan 1988 = 100), end year				
Index	131	123	-6.1%	

All data from World Fleet Monitor.

Source: Clarksons Research

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