



# ***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**

- Overcapacity in the global **container shipping sector** is set to continue for some time despite more ships being scrapped recently (item 1).
- According to the pessimistic views of a retiring chief executive of a major container service operator, the industry is likely to remain **mired in crisis** unless there is fresh thinking about what steps are needed to end the deepest and longest downturn in half a century (item 2).
- In the world merchant fleet as a whole - tankers, bulk carriers, container ships, gas carriers and many other ship types - **slowing expansion of capacity** has been evolving over the past two years and a further deceleration is unfolding in 2016 (item 3).
- The woes of the global **shipbuilding industry** have become prominent, and the second largest shipbuilding country, South Korea is struggling to remain viable while losing market share (item 6) amid other shipbuilders benefiting from more support from domestic shipowners.
- More attention has been focused on **trade routes through the South China Sea** since the recent ruling by an international panel (item 4). Shipping market players generally do not see any immediate impact on trade flows, according to this article, but are watching events closely.
- Worries about **shortages of ship's officers** persist: two employers outline their views and what they are doing to meet future foreseeable requirements (item 5).

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(1) Hellenic Shipping News, 19 July 2016/ Drewry Maritime Research

## Shipping oversupply to persist despite big scrapping plans says Drewry

More containership capacity is being demolished than ever before, including old-design ships made redundant by the new Panama Canal. Will this end the current capacity surplus?

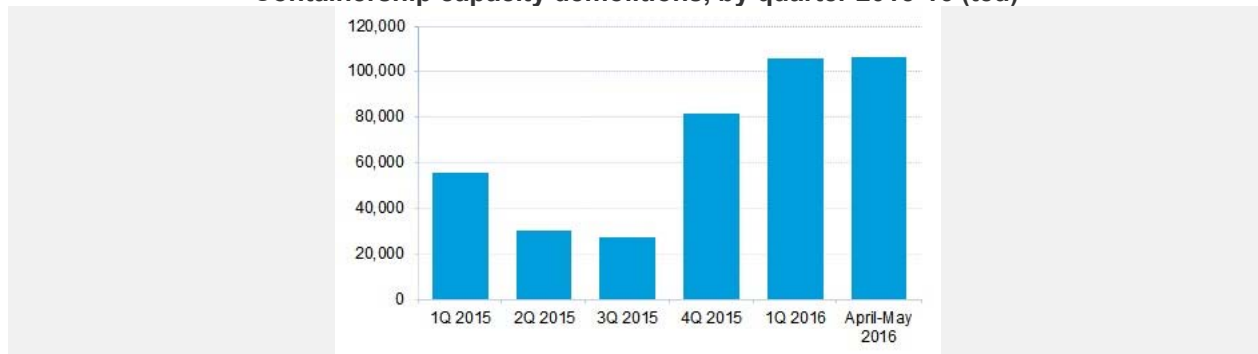
Now is not a good time to own an old containership.

Drewry's Container Forecaster (June 2016) found that, for the first time, 450,000teu of containership capacity is expected to be scrapped in just one year, as the containership sector recognises that there are far too many ships chasing too little cargo.

Based on an average size of 3,000teu for ships which are being scrapped, this means that about 150 mainly old and medium-sized containerships will be pulled out of the market or out of temporary idle positions and sent to the scrapyard in 2016.

In 2015, demolitions were less than half this level (see Figure 1). The surge in demolitions started in 4Q 2015, has continued since and looks set to reach 450,000teu by the end of 2016, an even higher annual total than the 444,000 teu scrapped in 2013. (For disclosure, Drewry consultants have advised some owners and investors to scrap their containerships in recent years, but we have no ownership links with shipowners and have an independent view).

**Figure 1**  
**Containership capacity demolitions, by quarter 2015-16 (teu)**



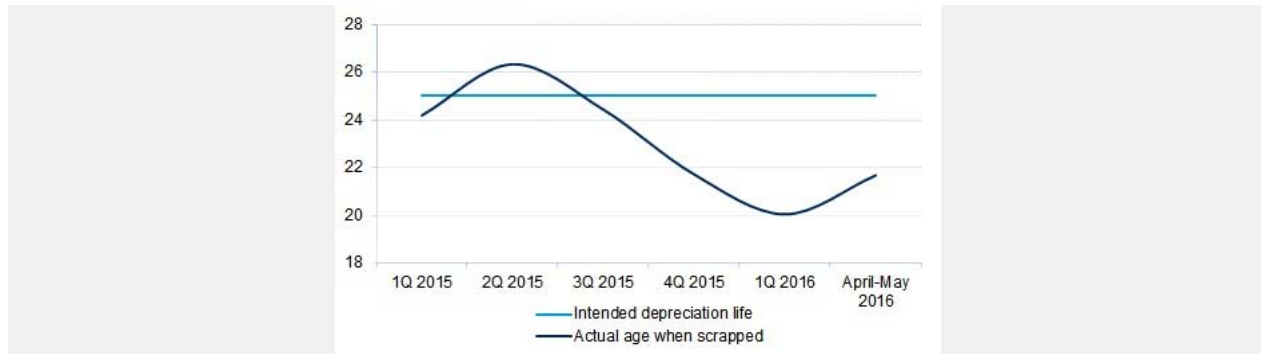
Source: Drewry Container Forecaster

In the first three months of 2016 alone, some 14 Panamax ships were scrapped and many of these are German owned and previously leased out on the charter market. These owners have felt the force of the charter rate downturn more than most others.

Younger vessels are being scrapped (see Figure 2). These included recently the 6,479teu DS Kingdom (15 years old), owned by DS Schiffahrts. Two other young ships of 6,350 teu (built 2002) – MOL Precision and MOL Promise – were also scrapped.

**Figure 2**  
**Average age of containerships sold for demolition vs normal depreciation life, by quarter 2015-16 (years)**

Please note: this publication is intended for academic use only, not for commercial purposes



Source: Drewry Container Forecaster

Containerships are normally depreciated over 25 years, so scrapping a 15-year-old vessel implies a write-off of nearly 40% (the owner also gets some cash for the steel from the demolition yard to offset part of the loss).

Furthermore, the opening of the new Panama Canal in June has created a surplus of old “Panamax” ships of around 4,500 teu. This size and design of ship – previously one of the workhorses of the containership industry – has essentially been made redundant. More Panamax vessels will surely head for the scrapyards of South Asia, as their owners or charterers replace them by newer and more efficient 8,000teu+ ships.

Removing 450,000teu of capacity this year, however, accounts for just 2% of the current 20-million-teu-strong global fleet of containerships. This will only make a dent into the over-capacity built during the 2010-15 period, which saw 4.5 million teu in capacity added to the industry globally at a time of slowing demand.

For charter owners with older containerships on their books, the choice is between chartering out ships at historically low (and loss-making) levels, or paying for idling costs until a hoped-for shipping market recovery happens, or scrapping the vessels. More will decide that scrapping is the least bad of the three options. Expect ship scrapyards to be busy for the remainder of the year.

#### **Our view**

The opening of the new Panama Canal, a widening gap between ocean transport supply and demand and the fear of continuing losses among charter owners are three compelling factors behind the current surge in boxship demolitions. Although necessary, ship demolitions will not be enough to bring the container sector back into balance unless owners also refrain from ordering many new vessels.

Source: Drewry Maritime Research

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(2) Lloyd's List, 19 July 2016

## **Hinge laments illogical container shipping behaviour**

- by [Janet Porter](#)

UASC president says industry crisis worst ever as he prepares to retire after 50 years in shipping

CONTAINER shipping will remain mired in crisis until the industry drops its obsession with full ships and stops panicking when utilisation levels fall below 95%, says United Arab Shipping Co president and chief executive Jorn Hinge.

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But there is little evidence of any change of mindset, with Mr Hinge pessimistic about industry prospects in the foreseeable future despite the current round of consolidation in which UASC is playing a central role.

Speaking exclusively to Lloyd's List the day after [Hapag-Lloyd and UASC signed a merger deal](#), Mr Hinge says that still more needs to be done to stabilise the industry, which is going through what he described as the worst crisis in the history of containerisation.

Hapag-Lloyd issued a profit warning when announcing details of the tie-up with UASC, saying that the outlook for 2016 had worsened because of weaker-than-expected freight rates. The average in the second quarter of \$1,019 per teu was \$245 less than in the same period of 2015, Hapag-Lloyd disclosed, while the anticipated recovery at the beginning of July "does not seem sufficient or sustainable enough".

[Mr Hinge](#), who will mark 50 years in the shipping industry next week, has experienced many industry cycles but is in no doubt that this is the deepest and longest downturn he recalls.

Exacerbating the situation is the fact that the container shipping industry had been used to annual growth of around 7% to 8%, and so had ordered ships based on those expectations, only to see cargo demand slump. In some cases, growth has been wiped out altogether, creating the current severe supply and demand imbalance.

But Mr Hinge defends [UASC's decision to order 18,800 teu ships](#), one of the first lines to go for that class of vessel.

Based in Dubai, UASC was seeing its core market threatened by the big global players in the Asia-Europe trades that introduced Middle East calls, and needed to have the economies of scale to compete.

UASC also ordered its ships in co-operation with its partner China Shipping, each providing six units for a standard Asia-Europe loop.

So from a cost point of view, "we only had half the headache".

However, these ultra large containerships, along with 11 vessels of 15,000 teu, are now playing a crucial role in the merger with Hapag-Lloyd, whose largest vessels are 14,000 teu.

"We have the assets and Hapag-Lloyd has the footprint," says Mr Hinge of the planned merger.

The two sides first started talking late last year as the whole industry looked for ways to stabilise the global container trades and try to improve financial returns.

Nevertheless, the announcement in April that they were in merger negotiations caught most people by surprise.

Pending regulatory approvals, the deal should be finalised by the end of the year, after which Mr Hinge hopes to retire, probably some time in the first quarter of 2017.

"I don't mind doing a bit here or there, but a full time job? No way," he insists.

A Danish national but one of the very few in the business not to have worked for Maersk, Mr Hinge joined Copenhagen-headquartered East Asiatic Co as a trainee in 1966 and went on to become chief executive of the joint venture Asia-Europe specialist EacBen, which was subsequently bought by Maersk. He then moved to UASC as chief operating officer, and was appointed [president and chief executive of UASC in 2009](#). Although UASC is owned by six Arab states with Qatar having a controlling 51% interest, many of UASC's senior executives are former Maersk staff. No decisions have been taken yet about future appointments within the enlarged Hapag-Lloyd.

Mr Hinge says he does not expect Qatar, Saudi Arabia and UASC's other shareholders to have a problem adapting to their smaller interests in Hapag-Lloyd, pointing out that they are used to having minority stakes in big overseas corporations.

### **Restoring profitability**

A much bigger challenge for the entire industry will be restoring profitability, with Mr Hinge not sounding all that hopeful about any recovery soon.

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Logically, some lines should withdraw from the industry, but there are numerous factors other than profit or loss that determine the corporate strategy of those carriers with state interests, he points out.

The decision by Singapore's Temasek to sell NOL to CMA CGM is unlikely to persuade others to follow suit, says Mr Hinge. Singapore is a transshipment hub and not a manufacturing nation, he notes, and therefore is in a different position from other Asian countries such as South Korea whose two state-controlled lines, Hyundai Merchant Marine and Hanjin Shipping, have run into severe financial difficulties.

Discussing why lines have been unable to obtain decent freight rates, Mr Hinge says that panic sets in unless load factors are around 95% to 100%.

"It makes no sense whatsoever, it is completely stupid. If we could live with 90% utilisation, there would be no reason why we could not have freight rates that were remunerative for everyone, but I have been saying that for the past 40 years and nothing has happened yet."

So in the meantime, ships need to be removed to bring supply and demand into balance, with Mr Hinge expressing surprise that demolition activity remained relatively low. That partly reflects the dollar's value which is enabling bareboat costs to be covered.

The real problem-solver here is to reduce capacity, either by laying up or scrapping tonnage, says Mr Hinge.

But in his opinion, "we have not behaved logically ever since containerisation was invented"

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(3) Clarksons Research, 22 July 2016

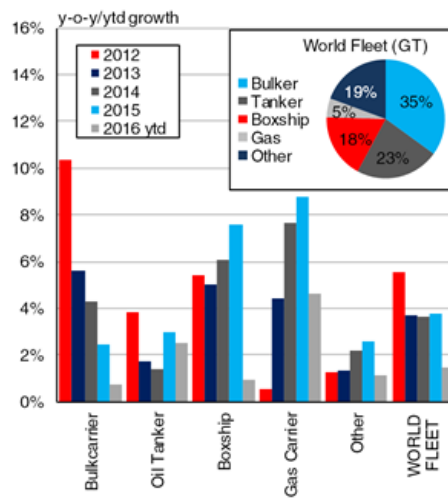
## Global Fleet Growth: A More Mature Trend?

The supply of ships into the fleet is a key determinant of vessel earnings across the shipping sectors, and world fleet growth is closely followed by everyone in the maritime industry. In recent years the overall pace of growth of the world fleet appears to have slowed and stabilised. However, the pattern of fleet expansion across the key shipping segments shows a wider range of growth trends.

### Graph of The Month

#### World Fleet Growth: How's It Getting On By Sector?

The bars show annual fleet growth by vessel sector in GT terms between 2012 and the year to date. The inset pie chart illustrates the global fleet split by vessel sector in GT terms as of 1st July 2016.



Source : Clarksons Research

### **Time To Take It Slow**

Following a rapid expansion in the size of the fleet, the pace of world fleet growth has slowed in recent years. At the start of July 2016, the global fleet totalled 91,773 ships of a combined 1,237m GT. Historically high levels of newbuilding investment and subsequent record shipyard deliveries saw the fleet increase 64% between the start of 2005 and 2012 to total 1,035m GT. Annual fleet growth has since slowed, falling to around 3.7% in 2014 and 2015, limited by firmer demolition activity and generally lower deliveries. In the year to date, the world fleet has grown by 1.5% in tonnage terms and is projected to expand by 2.7% in full year 2016. This would be the slowest rate of annual fleet growth in over a decade.

### **More Mature Fleet Growth**

Several key ship sectors have generally experienced slowing rates of fleet growth in recent years. The bulker fleet currently accounts for 35% of the fleet (432.6m GT) and has grown by a mere 0.7% in 1H 2016. Historically weak earnings supported record levels of bulker demolition in Q1 2016 and this has limited the impact of deliveries on the size of the fleet. This compares to a CAGR of 8.2% between start 2005 and 2016 in the bulker fleet with peak growth of 16.9% p.a. in 2010. Elsewhere, the expansion of the global boxship fleet has slowed considerably, averaging 4.7% p.a. between 2011 and 2015 compared to 10.7% p.a. between 2005 and 2010. Weaker demand has led to sporadic ordering with upsizing counterbalanced by firm demolition in certain sectors, and the boxship fleet has grown by just 1.0% in 1H 2016, in GT terms.

### **New Lease Of Life**

However, there are several ship sectors where fleet growth is picking up pace. The oil tanker fleet has grown by 2.6% in the year to date to 283.3m GT at the start of July, equivalent to 23% of the global fleet. This compares to fleet growth of 3.0% in full year 2015, and just 1.4% in 2014, with a firm market having supported delivery volumes and limited demolition. Elsewhere, fleet growth in the gas sector rose to 8.8% in 2015 and the fleet has expanded 4.6% in 1H 2016. The LPG carrier fleet has increased by 9.6% in 2016 so far after a firm earnings environment encouraged newbuild investment in recent years. This compares to a 5.4% CAGR in the 2005-15 period. LNG carrier fleet growth has been more moderate in 1H 2016 at 2.7%, with weaker demand not only delaying investment decisions but also slowing deliveries. For a shipping industry struggling with oversupply and lower demand growth, slower fleet growth could provide a note of positivity. Although firm expansion in the tanker and gas carrier fleets may put pressure on these sectors, weaker fleet growth in the bulker and boxship sectors could help start to rebalance these markets. For the latest fleet growth trends, keep on reading World Fleet Monitor.

Source: Clarksons

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(4) Hellenic Shipping News, 23 July 2016/ Platts

## **South China Sea ruling – What's at stake for oil, commodities?**

A landmark ruling by an international arbitration court against China's claims over a major part of South China Sea is likely to escalate diplomatic tensions between Beijing and other regional claimants such as the Philippines and Vietnam over the waterway.

The Hague Tribunal's ruling last week that China had violated the sovereign rights of the Philippines by interfering in oil and gas exploration activity in the latter's exclusive economic zone is expected to keep energy, commodities and freight markets in Asia on the edge, mainly because of Beijing's stubborn reaction that the verdict was unacceptable.

Vietnam claims sovereignty over both the Spratly and Paracel Islands and defends its exclusive economic zone and continental shelf as set in the United Nations Convention on the Law of the Sea, or UNCLOS.

## SOUTH CHINA SEA OIL, LNG TRADE ROUTES



Source: EIA

While Vietnam currently controls part of the islands in the Spratlys along with China and the Philippines, the country lost control of the Paracel to China after a clash in 1974.

A third of global crude oil and more than 50% of the world's LNG trade pass through the South China Sea, making it one of the most crucial transit routes in the world.

While market participants do not see any immediate impact on trade flows, they are expected to keep a close eye on geopolitical developments.

The following are some key factors that make the South China Sea a crucial link for commodity flows in the Asia-Pacific region.

### OIL AND GAS

The South China Sea is believed to hold vast amounts of undiscovered oil and gas reserves.

Chinese state-owned China National Offshore Oil Corp. has estimated that the entire South China Sea holds undiscovered resources to the tune of 125 billion barrels of oil and 500 Tcf of natural gas.

But the US Geological Survey has estimated that about 12 billion barrels of oil and 160 Tcf of natural gas might exist as undiscovered resources in the South China Sea, excluding the Gulf of Thailand and other adjacent areas. About one-fifth of these resources may be found in contested areas, particularly in the Reed Bank at the northeast end of the Spratly Islands.

Disputes between China and the Philippines over oil and gas resources are mainly in the Reed Bank, which is about 80 km (50 miles) offshore the Philippine island of Palawan and is believed to contain vast amounts of natural gas reserves.

The Paracel Island area may also contain significant natural gas hydrate resources.

While test drills have been promising, commercial development of natural gas hydrates in the South China Sea is many years away because of technological challenges, according to the US Energy Information Administration.

A significant amount of crude oil passing through the Strait of Malacca goes to terminals in Singapore and Malaysia. But after processing, this crude oil is shipped out again to Asian markets through the South China Sea as refined petroleum products, such as motor gasoline and jet fuel, according to the EIA.

The rest of the crude oil passes through the South China Sea to China and Japan, the two largest energy consumers in Asia.

The Strait of Malacca, located between Indonesia, Malaysia, and Singapore, links the Indian Ocean to the South China Sea and the Pacific Ocean.

EIA says crude oil flows in the South China Sea also comes from intra-regional trade, particularly from Malaysian, Indonesian, and Australian crude oil exports.

Intra-regional trade is distributed evenly among Singapore, South Korea, Japan, and China, with smaller amounts going to other Southeast Asian countries.

### LNG, COAL, IRON ORE

The South China Sea is a major transit route for LNG. According to latest numbers on the EIA website, about 6 Tcf equivalent of LNG, or more than half of global LNG trade, passed through the South China Sea in 2011.

Half of this amount continued on to Japan, with the rest of it going to South Korea, China, Taiwan, and other regional countries. Almost 75% of all LNG exports to the region came from Qatar, Malaysia, Indonesia, and Australia.

With growing demand for natural gas in East Asia, the South China Sea's share of global LNG trade will likely increase in the coming years, according to the EIA.

Even large quantities of coal from Australia and Indonesia, the world's two largest coal exporters, pass through the South China Sea to markets around the world, especially to China, Japan, and India.

These coal shipments include both steam coal used for generating electricity and process heat as well as metallurgical coal that is a key ingredient in primary steel production, EIA said.

From Indonesia, plentiful volumes of coal from the East Kalimantan region move to China via the South China Sea. In addition, a lot of iron ore shipments from Brazil and South Africa use the South China Sea route for transit to key destinations such as China.

### SHIPPING AND FREIGHT

The South China Sea is the second-most used sea lane in the world. In terms of world annual merchant fleet tonnage, over 50% passes through the Strait of Malacca, the Sunda Strait, and the Lombok Strait, with the bulk of that continuing on to the South China Sea.

The United Nations Conference on Trade and Development Review of Maritime Transport 2011 estimated 8.4 billion mt of total world maritime trade through the South China Sea in 2010.

Almost 117,000 vessels with a total deadweight of 4.7 billion mt passed through the Strait of Malacca in 2004.

Out of 607,000 global ocean going vessel movements, or 15% of the world's total, 32% were container vessels, 25% were tanker vessels, 15% were cargo vessels, and 15% were bulk carriers, with the remainder LNG and other ships, EIA says. More recent data was not available.

### AGRICULTURE

South China Sea is a transit point for much of the grain cargoes — such as wheat, corn and barley — from the Black Sea region and Australia flowing to China, Japan and South Korea.

Thailand's seaborne sugar exports to China and North Asia also transit through the South China Sea, as do palm oil cargoes from Malaysia and Indonesia to key Asian consumers, such as China. Also South China Sea comes into play for cargo flows of ethanol from the US heading for China and then heading southwards to the Philippines.

Source: [Platts](#)

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(5) Lloyd's List, 20 July 2016

## Progress and progression

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- by Gary Howard

As the 2015 Manpower Report reveals an ever-increasing shortage of officers, is shipping preparing itself to meet its own future demand for people?

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SHIPPING, it is often said, is a people business. For all the improvements in efficiency and scale the industry has experienced over the past century, human beings are still indispensable in every layer and sector of the maritime industry.

But the recruitment needs of the shipping world continue to change, as they always have, due to the evolution of vessel design, business practices and regulation, as well as societal changes that slowly filter down to our conservative industry.

The labour needs of the industry are changing both in scale and in the skillsets needed to operate effectively. Is shipping preparing itself to meet its own future demand for people?

The BIMCO and International Chamber of Shipping Manpower Report 2015 estimates a total current supply of 1.6m seafarers, compared with the current demand of around 1.5m. Within those figures is a surplus of 119,000 ratings, and a deficit of 16,500 officers.

The officer deficit is predicted set to worsen. By 2020, the report predicts a shortage of 92,000 officers; by 2025, that number rises to 147,500. The forecasts are based on the assumption of a moderate increase in officer supply year on year against demand increases calculated on a sector-by-sector basis across tanker, dry bulk, containers and other vessel types.

As a percentage of total demand, the current estimated officer shortage is 2.1%, rising to a 11.7% in 2020 and 18.3% in 2025.

### **Training needs**

According to Thome Ship Management chief strategic crewing officer Hanus Mikkelsen the BIMCO/ICS report is a warning that the industry needs to increase its recruitment efforts.

Like many other large shipmanagers, Thome implemented a cadet programme to remove some of the uncertainty from recruitment, and secure future officers to meet the need of its fleet.

Thome Ship Management's cadet programme is more than a decade old and accounts for a significant number of its crew onboard, Mr Mikkelsen told Lloyd's List.

"We have had a total number of about 1,900 cadets through the programme out of which 600 have progressed to become officers, and close to 900 are in the process of becoming officers."

Fellow shipmanagement executive, OSM chief executive Geir Sekkesæter, takes a more relaxed view of crew supply.

"I have been in the industry many years, and there has always been a shortage of officers, but it has never happened that a ship has not sailed because of a lack of crew. There is a mechanism within the industry whereby as wages increase due to a seafarer shortage, it attracts more people back to the industry."

While he downplayed the possibility of a future officer crisis, Mr Sekkesæter recognised the need for managers to recruit and train. OSM has its own cadet programme set up in the Philippines, training around 300 cadets a year.

Both Thome and OSM report that seafarers who have been through their cadet programmes show significantly higher retention rates during their careers.

Thome has seen retention rates of 97% for officers from its cadet programme, well above the average annual retention rate for the company's general officer population of 90%.

Mr Sekkesæter declined to provide data, but said: "Our programme creates a lot of stability and loyalty, and we have a long time in which they can understand our priorities. They become a part of the OSM DNA. It is definitely worth the investment."

### **Berth control**

With shipping markets under pressure since the global financial crisis, and a particular pronounced downturn in the dry bulk markets as China's hunger for imports eases, budgets across the maritime sector are under scrutiny.

For many efficiency-hunters, training and education are prime candidates for cost-cutting, whether it be slashing the budgets of training courses for employees or saving costs on a new vessel by omitting extra berths.

There exist commercial limits on the size of a shipmanager's cadet programme, but the main difficulty faced by cadets is the availability of berths for gaining experience at sea.

"Supply countries are very focused on the cadet berth issue; in Russia, China and India, they are producing a lot of good people who want to pursue a career at sea, and it is up to the shipping industry to pick up that talent and build cadet programmes around them," said Mr Mikkelsen.

A lack of training berths is not a new phenomenon, and the BIMCO/ICS report shows it is a widespread one. The results of a survey of maritime education and training centres showed that 56% of institutions experienced major or substantial difficulty in securing berths for officer trainees to fulfil seetime requirements.

### **Kids these days**

The industry also faces a challenge in making itself attractive to the always-connected and technology-dependent younger generation.

For all the advances in satellite technology, the reality is that most seafarers cannot expect a reliable and continuous connection to the internet when away from land.

Internet connectivity has risen to be a significant influencing factor when young people consider a life at sea, according to surveys of students at colleges with maritime courses.

"You need to have an environment on board which is providing for the needs of young talent in terms of technology, in terms of IT, in terms of challenges, in terms of development," said Mr Mikkelsen.

"These are all trends we can see from reports on the new generation; there is a different perspective on what their career should be about, and what their needs are. All those challenges we need to accommodate to be able to attract and retain people in the industry."

### **Land ahoy**

Along with early career troubles getting people on board, the industry struggles to attract senior officers ashore.

The BIMCO/ICS Manpower Report 2015 estimates the demand for officers at any given time is split 60:40 between onboard vessels and ashore. Filling technical and superintendent roles is an area of intense competition, which can be explained by a limited supply of talent.

A survey of the opinions of nations accounting for more than 2.1m issued STCW certificates showed they perceived a less-than-adequate supply of engineer officers at management level, in contrast to a sufficient supply of management-level deck officers and small surplus in all other areas of officer supply.

"Thome recruits a number of our people in the office from our seafaring staff, in particular the vessel managers and the technical staff. Filling those roles is a challenge, as the industry is very lively and we are located in an area with a lot of our competitors. The market is tough, the industry is challenged on this issue," said Mr Mikkelsen.

### **Work from home**

The difficulty of attracting seafaring officers to roles ashore is well documented. An office in the city is a different workplace to a vessel at sea.

As one executive put it at the sidelines of a recent London-based human resources conference: "Coming from a workday of barking orders at crew with English as a second language, the delicacies of interacting with a diverse group of office staff with many more women can be a culture shock."

Adjusting to the new culture is one hurdle, but even to reach it, the officer coming ashore first has to deal with what can be a significant real-terms pay cut as significant tax benefits from working offshore are lost.

Location was also raised as an emerging issue at the HR conference.

When seafarers decide to trade their life at sea for one on land, they often choose to return to their home nation. This is traditionally a prime opportunity to fill a technical or management role in the office, but as the national makeup of the world's supply of seafarers changes, some are left with a choice of either continuing their maritime career or returning home.

For many officers from Ukraine and elsewhere in Eastern Europe, that choice is of either moving to work in a city such as Copenhagen or Hamburg, or heading home and following a path outside of shipping.

Mr Sekkesæter took a more relaxed view on the issue: "Things have a tendency to work out. If we see that it would be beneficial for us to operate ships from Poland or other places in Eastern Europe, we will do it."

### **Outside help**

For the next generation of vessels, it is expected that monitoring, control and intervention of systems from the shore will be more common, a development that could help avert a crewing crisis, but bring about a new skills shortage.

Onboard automation is seen as a threat to safety and to the jobs of seafarers, but reducing crew numbers shows the greatest potential for narrowing the future officer deficit, according to the Bimco/ICS report.

Reduction in crewing due to greater automation shows the most promise for rebalancing the industry's future officer needs, according to the BIMCO/ICS report.

A reduction in future demand of 0.5 officers per ship would narrow the officer deficit by 64,250 in 2020, and by 69,000 by 2025, according to the report. Adjustments to supply side changes, such as increased training capacity, greater retention and higher success rates for candidates, have a much lower impact.

Respondents to the Bimco/ICS report already believe that necessary crewing levels per vessel will fall on average, as older tonnage is retired from the fleet and replaced with more labour efficient new vessels.

### **Expert opinion**

New technology creates the need for technical training and knowhow, some of which is learned in maritime education and training centres. But other skills will have to be sourced from elsewhere.

"The time where we only recruited ex-seafarers is gone," said Mr Sekkesæter. "There are jobs where we need people with a different type of background; you need specialists in different areas."

Data analysts, statisticians and specialists in information technology and communications are finding their way into the sector, but attracting the right talent will take a concerted effort to promote the industry.

"The majority of people in our organisation come from shipping and have come from a traditional path, but as shipping changes, Thome needs to look for expertise from elsewhere to adjust the traditional way into something that is appealing for the new generation coming up," said Mr Mikkelsen

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(6) Clarksons Research, 20 July 2016

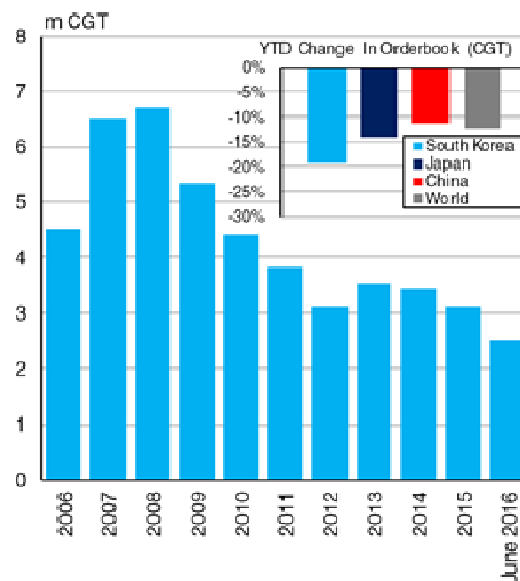
## South Korea: A Shrinking Share Of The Global Orderbook?

The global orderbook has continued to decline in the year to date, indicating that there are diminishing levels of activity at many of the world's shipyards. In the last six months, South Korean yards have seen the largest decline in their orderbooks of the three major shipbuilding nations, reflecting historically weak global ordering, domestic contracting trends elsewhere and varying delivery patterns.

### Graph of the Month

#### The Orderbook At South Korean Yards: A Review

The bars on the main graph show the end-year orderbook (for 2006 to 2015) and the end-June 2016 orderbook at South Korean shipyards, in CGT terms. The inset graph shows the percentage change in the orderbook at South Korean, Japanese and Chinese shipyards in the year to date, and the percentage change in the global orderbook, in the year to date, in CGT terms.



Source : Clarksons Research

#### Order Backlogs Retreat

In the year to date, the global orderbook has declined by 12%, in CGT terms, to 100.2m CGT, its lowest level since June 2013 (CGT measures the volume of shipyard work required to build a vessel). At 1st July 2016, South Korea's orderbook stood at 25.1m CGT, 25% of the global total. This is the smallest that Korea's orderbook has been, in CGT terms, since January 2004; Korean yards maintained the largest orderbook globally from January 2000 to September 2008. At 1st July 2016, Chinese and Japanese yards' shares of the orderbook stood at 37% and 22%, respectively, in CGT terms. In the year so far, Korea's orderbook has fallen by 20% in CGT terms. Meanwhile, the Chinese and Japanese orderbooks have declined by 11% and 14% to 37.7m CGT and 22.1m CGT respectively.

#### Contracts At A Crawl

Against the backdrop of historically low contracting globally, many Korean yards have seen their orderbooks decline. 224 vessels of 6.3m CGT have reportedly been contracted globally in the year to date, a 66% fall year-on-year in CGT terms. Korean yards have taken contracts for just 27 vessels, totalling 0.8m CGT, or 13% of tonnage contracted globally in 2016 so far. Contracting at Korean yards has been 88% lower over the last six months compared to the first half of 2015, when they received 37% of global orders (6.8m CGT). Additionally, relatively firm deliveries from Korean yards have driven a

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decline in the orderbook; Korean builders have delivered vessels of 6.5m CGT, which is 35% of global tonnage reportedly delivered in the year to date.

### **Ordering Closer To Home**

So, since January 2016, the Chinese and Japanese orderbooks have declined less severely than the Korean orderbook. Chinese yards have taken more orders, receiving contracts of 2.4m CGT since January 1st, or 38% of global tonnage contracted. This is largely due to state-backed contracts, including 30 'Valemax' bulkers (ordering at independent Chinese yards fell by 61% year-on-year in the first half of 2016, in CGT terms). Meanwhile, the majority of contracts at Japanese yards were placed by domestic owners, compared to domestic contracting contributing a 29% share, in CGT terms, of orders in the last six months at Korean yards. Moreover, Chinese and Japanese yards' deliveries have been lower, by 2.4m CGT and 0.8m CGT respectively, than Korean deliveries in the year so far, slowing the decline in their orderbooks.

The key driver behind the decline in Korea's orderbook has been the low contracting environment globally. Additionally, it has fallen relative to that of China and Japan, where yards have received domestic support for contracting, while also delivering less tonnage. Industry observers will be watching closely to see if Korea's shipyards can make up any lost ground in the second half of 2016.

Source: Clarksons

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