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Coronavirus: Pessimistic short-term outlook for container shipping



THE IMPACT OF CORONAVIRUS on container shipping has “just about been bearable”, according to analysts at Drewry, but the longer and more widespread the outbreak goes the more damage it will cause.

But it warned that a spike in new cases outside of China had shattered the hope that this would be resolved swiftly.

To date the short-term hit had included port volumes in China falling between 20% and 40% in the three weeks from January 20, and the cancellation of over 100 sailings from China in February.

“A 30% fall in container volumes in China, which accounts for 30% of global throughput, means a 9% reduction in global container volume, unless the shortfall is caught up later,” Drewry said. “But we should expect at least two months of global port volume falls.”

For carriers, the blanking of 100 sailings a month represented a shortfall in revenues of roughly \$1bn, it added.

“A portion will be made up later via full ships and extra loaders, but the short-term damage to carrier profits is large,” Drewry said.

While cargo owners and carriers were desperate for a swift resolution that would see Chinese factories resume production for the global supply chain, Drewry warned that it was too early yet to determine how the outbreak would progress.

“It is inevitable that world port throughput will suffer a large contraction in the first quarter of the year, but the question is now

whether we can expect a v-shaped recovery later this year or something else entirely?”

Drewry paints three possible scenarios, ranging from an optimistic one where coronavirus will be contained when the northern winter finishes, to a negative one, where the return to work in China leads to a re-emergence of the disease.

It's current baseline case, however, suggests the quarantine approach adopted by China is working to constrain the spread of coronavirus.

“This increases the likelihood of normal economic activity resuming in China before the second quarter, but as more cases pop up in its trading partners the problem could simply be shifting from one end of the supply chain to the other, especially if coronavirus imbeds itself into the major consumption centres of Europe and North America,” Drewry said.

“If the virus is indeed moving beyond China it seems likely that economic forecasts will have to be

trimmed again, the severity being dictated by how far the outbreak reaches and the ability of affected countries to contain it.”

The more widespread and protracted the situation, the less likely it was that the container market will be able to register growth this year, it added.

“A weakened global economy would hold less pent up demand, making for a softer recovery in 2021,” Drewry said.

“Under this scenario carriers would have little choice but to extend their capacity reduction plans, and at the extreme of this outcome to consider additional measures such as idling and heavier demolitions in addition to more blank sailings. We would anticipate that freight rates won't benefit from a cargo rush bonanza and will instead continue to trend downwards until the situation eases, placing significant pressure on carrier earnings.”

WHAT TO WATCH

Pricier P&I cover in 2020 may prove a tipping point

P&I CLUBS are not-for-profit entities, and after the string of three-figure combined ratios seen last year, it's probably just as well that the legally-binding categorical imperative on companies to maximise shareholder returns does not apply.

That said, even mutuals have to pay their way in the world, and the spate of big cash-money losses last time round made higher pricing in 2019-20 inevitable.

Many clubs made no secret of their intentions. Last October and November saw North, UK, Standard, Steamship and London all announce 7.5% general increases, while West of England opted for a more modest 2.5%.

Others eschewed trumpeting a firm figure, but made clear they were on the hunt for revenue growth by charging on the basis of ship-by-ship assessments.

In the event, it looks like many owners did end up paying more, but not nearly as much as the opening shots might have suggested.

We're still assessing the outcome of the 2020 renewal round on the basis of partial information.

But anecdotally, brokers are saying that rates are in general some 3%-3.5% up.

One club— as we shall see — went one step further, asking for and mostly getting an increase in the order of 10%, and took the consequent departures on the chin.

That's a step-change in a market that characterised by soft pricing for at least five years, with clubs reluctant to seek GIs for fear of seeing members brave release calls and go elsewhere.

For shipowners, many of them struggling and facing higher costs for hull and machinery insurance as well, that won't have been particularly welcome. However, it is unlikely to prove ruinous, either. Whisper it softly, but it may even be that the clubs had a legitimate case.

According to a tabulation compiled by broker Gallagher last June, of the 11 International Group affiliates that had declared their hand, Skuld alone came out on top with a 2018-19 underwriting surplus, and even then, only to the tune of a relatively paltry \$8m. Deficits elsewhere ran from

\$500,000 at Standard Club to \$46m at Steamship.

In a nutshell, something had to give, and that something was shipowners' chequebooks.

The outlier was American Club, one of the smaller IG clubs, which decided to face it out, and fairly squared up to the reality that it needed more premium revenue.

Its bottom line losses for the 2018 calendar year came in at \$5.5m, and once loss adjustment expense were factored in, that left it some \$46m short. Its combined ratio hit 116%, and quite simply, it wasn't where it needed to be.

Things reached the point where supplementary calls had to be levied, with members asked for 22.5% for the 2016 policy year and 17.5% for 2018.

A statement from American Club yesterday said that it had gained 10% on premiums on a per gross tonne measure, even though that entailed a loss of 9% in entered tonnage terms. Adam Polemis' New Shipping was among those who decided to part company.

That was a bold call, but if nothing else, shows that more radical realignment can be achieved with the will to do so. It may also prove to be a smart move in long run, putting the club on firmer footing.

Elsewhere, little churn was evident, at least from what we know so far of the clubs pocketing smaller price hikes. The obvious conclusion is that by and large, owners took the choice to grin and bear it. So how much are they out of pocket?

Clubs are notoriously reticent to provide details of how much it costs to insure any given hypothetical vessel, rightly maintaining that there is no such thing as 'typical ship,' with much hinging on the individual owner's loss record.

The most common surrogate is to divide premiums by entered tonnage, and arrive at a dollars-by-gt figure. On that basis, P&I premiums are still a bargain, starting from around as little as \$2 per gross tonne.

First coronavirus case linked to Singapore shipyard

SINGAPORE'S yard group, Sembcorp Marine, confirmed the first coronavirus case linked to one of its site offices.

With a typical capesize coming in at 90,000 gt, that implies \$180,000 for P&I cover, and even a 3% increase is something in the order of \$5,400 per ship. So even fairly substantial outfits with fleets of 10-15 will be looking at additional costs still contained within four-figure territory.

The obvious question is, where next? The year 2020 may represent a psychological tipping point; clubs have established once and for all that they can charge more and live to tell the tale.

The pressures on insurers aren't going to go away, with bigger casualties meaning that there is no sign of a slow-down in the number of pool claims.

Then there is the not-so-small matter of the coronavirus outbreak, with clubs on the hook for liabilities including seafarer sickness and death payments.

That will vary by seafarer nationality, with the uneasy reality being that third world lives are substantially cheaper than those of first world nationals.

In the latter case, the death of just one seafarer could constitute a major retained claim running to several million dollars, with clubs often finding it more prudent to settle promptly than run the risk of litigation in the US.

Another factor is what happens to investment returns. An improved investment climate towards the end of 2019 boosted returns to the point where they softened pricing pressure. But that isn't guaranteed to happen again in 2020, especially if coronavirus derails investment markets.

All of these considerations will have to be given their proper weight by club underwriters in the coming months, but the upshot is that at this juncture, things don't look like they will get any cheaper next time round.

But to close on a brighter note, the P&I system may have plenty of detractors, but has once again proved its resilience and utility for the shipping community as a whole. And for that we can all be thankful.

The affected staff member worked for Sembmarine's offshore platforms division at its Project Office 12 site office, which is located in Admiralty Yard.

She has been on medical leave since February 13 and test results confirmed her coronavirus infection on February 18, the yard group said in a statement to Lloyd's List.

The Ministry of Health and National Environment Agency informed Sembmarine of the case on February 19.

The yard group issued a circular on the same day to all its employees, detailing steps to cordon off and disinfect the affected office and surrounding areas.

It also initiated contact tracing to identify persons in close contact with the confirmed woman.

Staff attached to the affected office were also placed under home quarantine.

But the yard group said that they were now well and had since returned to work.

It maintained that the coronavirus case has not affected operations at the Admiralty Yard.

“We continue to be vigilant... all Sembmarine Yards have been adhering to the MOH’s directives, including temperature-taking twice daily and regular cleaning of our facilities,” the statement said.

Sembmarine’s Admiralty Yard provides ship repairs and docking services with GasLog Royal Caribbean and Carnival Corp as among its regular clients.

It also hosts the production facilities of the offshore platform division.

OPINION

Open for business: Shipping's transparency revolution

SHIPPING has unconsciously sailed into an era of transparency, *writes Richard Meade*.

Amid a slew of Lloyd's List headlines exposing hidden flows of sanctioned oil cargoes, 'dark-ship' subterfuge and offshore obfuscation, that may sound a counter-intuitive assertion to make. But a confluence of security, financial and regulatory forces have systematically hoisted the industry's corporate veil and made life increasingly difficult for the persistently private and defiantly dodgy.

The inexorable force of digitalization is partly responsible for peeling away shipping's opaque patterns of behavior, but it is not the whole story.

As is so often the case in shipping, change has been gradually coerced, imposed and ultimately enforced by outside forces well beyond the limited scope of the industry's own agency.

Shareholders are demanding robust corporate governance that is now being measured. Governments are shining a light on sanctions-dodging ships determined to go dark, while deploying increasingly effective measures to wrestle non cooperative tax regimes to open up.

Cargo interests, banks and society in general are forcing through a new era of environmental, social and governance (ESG) requirements that is making

sure capital doesn't flow in the direction of those who refuse to step out of the shadows or account for their emissions.

And all the while digital efficiencies, smart operation and standardized data requirements for everything from trade finance to predictive analytics are luring ship operations into opening up information as an asset that ultimately can create value.

Much of this disclosure revolution is positive and overdue, but this is not a shift that the industry can passively accept unquestioningly. With increased transparency comes complexity and significant risk that needs to be carefully navigated.

The lazy assertion that transparency is a dirty word in shipping often, wrongly, conflates private strategy with opacity. For those few shipowners with deep enough pockets to remain truly private, they retain the luxury of reacting to opportunities as they present themselves without having to justify an over-arching narrative for investors.

Tyranny of transparency

The private shipowners' reticence to talk publicly about deals is not shyness, or even a result of the now ubiquitous 'non-disclosure agreements' being routinely slapped on deals. It is a lucrative convenience they can afford and will no doubt seek

to protect while those around them open up at the behest of others.

While not all public owners would admit that returning to private ownership would be their preferred option, most would concede it offers a simpler focus for a business without the tyranny of transparency.

But if being able to afford anonymity is a rare luxury that only a handful of owners with the agility of cash in hand and a determinedly long-term outlook can afford, the reality for the squeezed middle of shipping's fragmented operator base holds fewer options when it comes to accessing finance in an increasingly corporatized world where transparency of accounting and corporate governance is a requirement to get in the door.

The rest of the private end of the industry is increasingly finding that its hand has been forced and the reality is that the world has become so much more transparent that there is less to be gained by secrecy.

This is not simply a statement of tightened financial regulation. The banks are reacting to the public stage they are on, but they are not alone. The cast of cargo interests, OEMs, lobby groups and supply chain influencers represented on the growing coalition of efforts like the Poseidon Principles, Get to Zero campaign and others now in the pipeline are demanding action from shipping that requires accountability. Today's monitoring and reporting of emissions will inevitably segue into market based measures and accountability for carbon will come with a price tag.

Those behind such efforts argue that owners will need to come to grips with the fact that reforms will make shipping different in the future, but that is not necessarily a bad thing for those prepared to engage. Those seeking to hide, however, are likely to find themselves increasingly locked out and sidelined.

Dark corners, of course, will always exist, but the days of hidden offshore dealings disappeared in the wake of post-September 11 security standards and more recently the all-encompassing scope of sanctions scrutiny. Global trade is becoming more transparent and resistance is increasingly futile.

A lot of the privacy that shipping offered in the past has been lost in favour of accountability.

Creditworthiness and compliance checks, the ubiquitous 'KYC' due diligence, audited financial

statements and third-party reports investigating any historical payment problems – this is all now standard practice. What was once offered up in the hope of earning reputational reward is now considered a basic entry to market expectation from counterparties no longer willing to take on financial risk.

Even the murkier end of the shipping industry's known grey areas are being rapidly reduced thanks to increasingly sophisticated data analysis and the forensic attentions of international governments and agencies that now monitor every aspect of shipping's trade links.

Consider the subterfuge tactics of Iran's fleet "going dark", engaging in ship-to-ship transfers, setting up shell companies and generally playing an elaborate game of cat and mouse to disguise cargo origins.

Try as they might, such strategies are not working. The risk to Iran's fleet is well understood and Lloyd's List Intelligence tracks every move, along with the US and the insurance industry. If a risk remains it is the potential for uninformed third-party operators not asking the right questions. While transparency is available, the reality is that avoiding sanctions requires increasingly forensic due diligence across the supply chain to ensure security 'red flags' are not raised by international governments and agencies, and not everyone has access or wants to ask the right questions.

Meanwhile, the interconnectedness of the digital revolution doesn't just look favorably on transparency – it requires it. But the miracle cure of blockchain and the new world order of data sharing hasn't quite panned out the way that some early digital evangelists had hoped.

No doubt digital ledger technology has the power to be a dynamic game changer, overhauling the analogue inefficiencies of traditional trade finance worth \$15trn a year and turning the shipping of goods into paperless, online environment where smart contracts enforce transparency and security of transactions.

Pockets of progress are being made and power platforms are delivering efficiencies across a spectrum of digital efforts in the industry right now linking port and terminal operators, cargo owners, customs authorities, freight forwarders, brokers and transportation companies in a seamless process that could be smoother and more efficient than the old method of having to rely on an seemingly endless round of paper checks and rechecks.

But data standardization has proved, to date, to be frustratingly difficult to establish. Platforms launched with the hope of unifying are now accepting that they will be one of many operating in ‘an ecosystem’ of data. And while the direction of technological progress is clear, the risk of emerging divides could yet harden.

The analogy here is that we are still sending data in a break bulk mentality with myriad standards, formats and sizes. The birth of a single global standard—the 20ft container— that revolutionised shipping has not yet been found digitally.

That is at least visible in trade finance where, partly because of tariffs, partly because fleeting consumer tastes require shorter supply chains, commerce is splintering into regional blocs. But the same is true across the digital projects underway across the industry right now. If digital standards also develop in silos, rather than as part of a global effort, that may prove impossible to reverse. And the digitalized shipping revolution may yet see its container moment float away.

ANALYSIS

Small island states take issue with the industry's \$5bn R&D fund proposal

SMALL islands states have raised concerns about a proposed \$5bn research and development fund, demanding financing and governance changes that could fundamentally alter its nature.

Late in 2019, the industry's biggest lobbies proposed the creation of a 10-15 year R&D fund relating to the decarbonisation of shipping. Central to their idea is that the fund would not be under the control of the International Maritime Organization.

Shipping companies would have to pay \$2 for each tonne of fuel oil their ships consume, generating approximately \$500m in revenues annually. The International Maritime Research and Development Board would administer the funds and allocate them to shipping decarbonisation R&D projects.

The proposal had been in the works for about three years and its official tabling to the next IMO environmental meeting in April was meant to be the industry's landmark response to the global calls for the decarbonisation of shipping.

But documents submitted to the Marine Environment Protection Committee by Vanuatu, the Solomon Islands and Tonga demonstrate why this will likely not be a straightforward decision by the IMO.

The shipping groups lobbying for the creation of the fund claim that they want to avoid its politicisation. In their vision, the IMO would ensure that the payments are mandatory, but the fund would be run by an independent board and secretariat.

Supporters of this set-up argue that the money would go to projects based on merit and not on

political considerations, such as assistance to least developed countries and small island developing states.

While the IMO initial greenhouse gas strategy lists the creation of an International Maritime Research and Development Board to co-ordinate and run R&D efforts as one of many potential measures, it also separately highlights that small island developing states and less developed countries have particular needs that require special attention.

In its submission to the committee, Vanuatu claims that it supports the idea of the industry's R&D fund but argues against two of its fundamental pillars.

The South Pacific country suggests that instead of having an International Maritime Research and Development Board as an independent non-governmental organisation, which would be arduous to set up, it could be part of a new IMO Maritime Research and Development Department or part of a long-term IMO programme.

Either of the two options would bring the generated revenues and their administration firmly in control of the IMO and its flag states.

The second radical change Vanuatu wants to make is in the actual source of the funds.

At present, the suggestion is that this new R&D levy would be in the form of a fee based on fuel oil consumption. However, Vanuatu explains that such a task would represent a major administrative burden and would also be difficult to implement.

Rather than charging \$2 per tonne of fuel oil each ship consumes, Vanuatu argues that flag states should instead collect an “estimated” \$0.5 from shipping companies for each gross tonne in their fleet. It backs this argument up by pointing out that it would run in parallel with a system that already exists, making it extremely easy to implement.

Vanuatu explained: “[The R&D fee] collection would be greatly facilitated, since it would be based on an existing modus operandi already used by all administrations with the current collection of multiple yearly fees from shipowners.”

It also suggests 10% of the money collected would go to a trust fund to assist developing countries, especially small island developing states and less developed countries “for building the necessary capacity to transfer and finally adopt these technologies”.

Elsewhere, the Solomon Islands and Tonga said in their proposals that they recognise the need for investment into R&D and that the industry proposal is in line with points of the IMO’s strategy.

“However, in its current form, it [is] not likely to either promote the interests of small island developing states and less developed countries in the rapid reduction in GHG emissions or alleviate detrimental effects of climate change on small island developing states and less developed countries,” they said.

They also argue that if the IMO is the body approving the fund, it should also be the body to decide where the money goes.

Supporters of the \$5bn industry proposal have repeatedly sought to distinguish the R&D fund from a market-based measure on shipping. They claim the proposal is not meant to a market-based measure or delay the IMO from adopting one.

Class enables the implementation of regulation, says Sinha

CLASS societies are increasingly regarded as enablers “who assist the industry in implementing regulation through their technical expertise.”

That’s the view of IR Class Managing Director Suresh Sinha who says class has an important responsibility “to ensure that new equipment and technology are tested, approved, validated, and

But Solomon Islands and Tonga argue that the fund’s structure is similar to a fuel levy as a market based measure, and that it ultimately sets a precedent for a market based measure. So the countries want the IMO to agree the structure of the levy before adopting any proposal.

Mimicking government subsidy

While these countries are envisaging a different kind of fund, the Organisation for Economic Co-operation and Development wants greater clarity on the aims of the industry proposal.

“The proposed programme is characterised by its collective nature, the mandatory nature of the R&D contribution and dependence on implementation by flag states. As such, the programme resembles government subsidy schemes for the shipping sector,” the OECD said in its submission.

The OECD produced a report last year criticising the effectiveness of maritime subsidies. It wants this R&D fund to avoid the same shortcomings.

It argued that the R&D fund should have clear goals that can be evaluated. Having goals would shed light on “why can the R&D not be carried out in market conditions by private players”, something that the OECD describes as a market failure.

Objectives could also offer clarity “by association with the identified market failure, a clear and quantifiable objective function, intended outcomes and outcome metrics, as well as the extent to which outcomes depend on complementary policies, such as robust carbon pricing”.

Other issues that need clarifying, according to the OECD, are exactly what phases of R&D will be eligible for funding, what constitutes low-carbon and zero-carbon technologies or fuels and whether the money is intended for just shipowners, operators and projects that are ship-related or could go to shore-based applications and other stakeholders.

implemented in an effective and timely manner to comply with regulatory changes”.

Speaking at the Lloyd’s List Qatar Maritime and Logistics Summit, he said classification societies must provide support during a period of rapid technological change and as regulations on environmental protection and safety are tightening.

Mr Sinha urged International Association of Classification Societies members to work in partnership with the shipping industry and regulators “to develop, apply and maintain the standards necessary for sound shipping.”

“As the maritime industry tackles disruptions and uncertainties brought about by digitalisation and regulatory changes, the commitment to quality has become a non-negotiable prerequisite for any class society,” he said. “If you cannot afford quality, you cannot be in the business of shipping. You either play the [quality] game or you’re not in the game at all.”

Suresh Sinha trained as an engineer on Shipping Corp of India vessels, with six years sailing as chief engineer.

He joined Indian Register of Shipping in 1990 as a surveyor and worked in India and the Middle East. He was promoted to regional manager in 2003, Chief Surveyor in 2013, and Managing Director of what had become IR Class three years later. He is a member of the IACS Council, the association’s highest governing body.

Speaking after the Qatar Summit, he recalled that when he went to sea, the engineers got the best jobs and the highest salaries.

“Today there are many digital companies in India, so the salary difference is no longer there,” he said. That has repercussions not only for IR Class but also for the wider shipping industry because, in Mr Sinha’s view, “India used to train the best engineers.”

“When I was a chief engineer, I ensured all work had been done ahead of the survey. Most inspections were done by the ship’s own engineers, which meant survey work was quick. Today, when ships spend so little time in port, engineers have less time for inspection work, so they don’t build up the confidence to do the job. As a result, class surveyors have to spend much more time on board doing work that used to be done by engineers.”

Training and development seen as key to recruitment and retention

IT is a truth universally acknowledged, that it is difficult to recruit seafarers or shore-based staff in shipping companies. Scratch below the surface, however, and another story emerges.

IR Class used to induct three skills: chief engineers, naval architects, and master mariners. For ships under the Indian flag, only chief engineers did the survey work. But there are now two types of surveyors, and much time is spent overseeing survey work. But even today, Mr Sinha said, 80% of IR Class surveyors have experience as an engineer at sea or have spent eight years working in a shipyard.

The need to recruit and retain engineers is relentless. “Every day we talk to three or four engineers at our offices. Last year we opened new offices in Doha, Chittagong, Dhaka, Leiden (Netherlands); this year we will open in Alexandria, Dammam, and Lagos. We are looking to add four new offices every year.” IR Class now has 52 offices worldwide, of which 26 are out of India.

Middle East has been an area of growth area, while the Asia Pacific and China have been doing well. IR Class is currently overseeing 14 smaller bulkers under construction in China, a Floating Storage Regasification Unit (FSRU) in South Korea, a Floating Production, Storage and Offloading vessel (FPSO) newbuilding, and a conversion in Singapore.

“There is also huge involvement with the Indian Navy, especially corvettes. We are providing assistance in steel characteristics. And there are two very specialised diving support vessels under construction at Hindustan yard in Visakhapatnam, for rescue work in submarines in depths up to 300 metres.”

There are projects in offshore, communications, border security, renewable energy, and battery-operated ferries for Kochi Metro, where IR Class is doing type approval. The broader IR Class group of companies employs more than 1,000 engineers – only 400 in maritime – covering sectors from industrial inspection to food safety.

“I see safety as 80% quality, 20% human element,” Suresh Sinha explained. Quality must be an integral part of any business, including the class society itself. “We need to find competent, trained, and empowered people at a time when the role of class is evolving.”

“There is a myth that we need to bust about recruitment,” says InterManager secretary-general Kuba Szymanski. “It is a problem floated by owners. But if you look at the last pay rise seafarers received,

it was in 2007. So for 14 years, owners have not increased salaries. If there is a shortage of any commodity, the price goes up — and if there is an abundance, it stays down.”

What is missing, Capt Szymanski says, is proper training.

Danica Crewing Services founder and managing director Henrik Jensen agrees.

“Crewing reports show the demand and supply of crew is in balance. Maybe they are in balance by numbers but not by competences. The real answer is that there is a shortage of competent people.”

Mr Jensen says training of seafarers is a key issue that many owners and operators overlook.

“Companies need to have a strategy to ensure they have the right people on their ships,” he says. “When I look over the landscape, I think a long-term strategy may have been missing in many cases. There are companies where all this is in place but many smaller and medium-sized owners do not have the resources to set up such a strategy.”

This will become more critical in the future as ships become more technologically advanced.

“Today, you have ships that are pretty much standardised,” says Mr Jensen. “But with new fuels and technologies, the fleet will become much more diversified. In the future, it will not be so easy to take a chief engineer from one vessel and employ them on another.”

Part of the problem with seafarer training is the way it is funded, according to Capt Szymanski.

“If we look at the UK, there is absolutely no shortage of seafarers,” he said. “As soon as people learn they can go to maritime college and not end up with £36,000 (\$47,000) of loan debt at the end of the course, they join up. This is the only career that will get you through college without loans and pay you £800-£900 per month for studying.”

However, elsewhere, seafarers must fund their own education, then face the catch-22 situation of getting sea time to validate their certification.

“To become a seafarer requires 12 months’ sea time to graduate and get your certificates,” says Capt Szymanski. “That is a problem, because young people have no leverage over owners to employ them to give them the sea time they require.”

That problem was exacerbated, he says, by the introduction of the Maritime Labour Convention.

“It was fine until we had the MLC,” says Capt Szymanski.

“Owners would pay pennies but give the sea time. But under MLC, owners have to pay salaries for an unqualified seafarer that they see as a liability.”

Shore-side recruitment can also be difficult, he adds.

“When it comes to shore-side roles such as IT, HR and finance, shipping is no different from other industries. Either you compete on price, which means giving better salaries, or you give better conditions.”

In Cyprus, one of the world’s centres of shipmanagement, there are a limited number of IT specialists.

When foreign exchange companies entered Cyprus en masse following government incentives, they began hiring IT staff at high salaries, with which shipmanagers could not compete.

“Efforts to bring in cheaper workers from countries like Poland failed when they were poached by foreign exchange employers, so shipping was forced to respond by offshoring IT services to India or Poland,” Capt Szymanski says.

Hapag-Lloyd addresses its shore-side staffing through an apprenticeship programme that supplies the organisation with new staff each year.

“What we’ve seen over the past few years is that there is so much competition for young people from other industries and employers that may seem more sexy,” says Hapag-Lloyd director of talent sourcing Anna Adam.

“People need to get the idea that becoming a shipping clerk is an option and that it is an interesting field. So we have been promoting the job around Hamburg and Germany so that people know about it in schools.”

Non-university route

However, with more pupils staying on at school to complete the Abitur, the equivalent to UK A-levels, many are heading towards university instead of taking the classic apprentice route.

“You have to convince them that this is an attractive option, not only to come to Hapag-Lloyd,

but also to come into shipping,” Ms Adam says.

“Once they are here, they are convinced. They are excited and very often stay with the company. It is easy to retain them after the apprenticeship. The challenge is to get them here in the first place.”

Hapag-Lloyd, like many shipping companies, is taking steps to digitalise its business and is building a second base for IT in Gdansk, Poland.

“We are recruiting around 110 people in Poland, where Hapag-Lloyd is not a household name like it is in Hamburg. In the same building we have several other big companies, so that does not help. We need to create an active employer brand to make people excited about joining this company.”

Ms Adam admits that Hapag-Lloyd will not be able to compete with some of the high-paying, high-profile employers that can throw a lot of money towards recruitment.

“But what we’ve seen with our centres in India is that if you treat people well, have the right programmes and attitude and make the work worthy and exciting, it makes all the difference,” she says.

However, one of the risks of training staff is that a good employer ends up being the training camp for bad employers.

“While there are some good owners and managers out there, there are too many taking a wait-and-see approach — or worse, poaching staff from other owners,” says Capt Szymanski.

The increasingly specialised nature of shipping may, however, put a stop to this, Mr Jensen says.

“The good thing for seafarers is that when you get more specialised ships, owners will have to invest more in training again,” he says. “The seafarer then becomes an asset and it is in the company’s interest to keep that seafarer. This should lead to better internal development.”

And for Hapag-Lloyd, that virtuous circle pays off for its shore-side staff too.

“There is a risk of having apprentices poached once they have been trained but we have the advantage of being Hapag-Lloyd in Hamburg, which is considered the best employer of any,” says Ms Adam. “The vast majority want to work for Hapag-Lloyd.”

IN OTHER NEWS

Safe Bulkers defers scrubber installations amid uncertain outlook

SAFE Bulkers, a Greek-owned dry bulk owner and operator, said it has pushed back the schedule for five remaining scrubber installations to the second quarter of the year because of the coronavirus outbreak, which is affecting shipyard operations.

“Our management is closely monitoring the evolving situation,” said Safe Bulkers president Dr Loukas Barmparis.

It has retrofitted 15 of 20 vessels with the technology so far, and has seen “commercial and operational benefits”.

US southwest ports' throughput declines due to coronavirus

THE CORONAVIRUS outbreak is having an adverse impact on the Southern California

ports of Los Angeles and Long Beach, as declining production from Chinese factories hit by worker absenteeism means fewer ships being loaded with exports.

“In the first quarter of this year I project that we’re going to be down 15% year on year, with a heavy bit of that related to the coronavirus,” Port of Los Angeles executive director Gene Seroka said in an interview.

The decline has accelerated with February cargo volumes expected to drop by 25% from the same month a year ago as the impact of the virus works its way through supply chains, he said.

Evergreen unveils online booking platform

EVERGREEN Line has launched an online platform that provides

instant booking and guaranteed slot services, as the Taiwanese carrier accelerates its digitalisation efforts.

The so-called GreenX benefits customers such as enterprise shippers, non-vessel owning common carriers and freight forwarders, according to a company release.

Through the online system, they can book directly with the shipping line “within minutes” to skip the traditional lengthy processes of contract negotiation and volume commitment, Evergreen said.

Golar LNG says low gas prices will boost Brazil projects

GOLAR LNG hopes downstream gas projects in Brazil will lift its fortunes after it returned to profit in the fourth quarter of 2019.

The Norway-based operator of liquefied natural gas carriers said its 1.55GW Sergipe power plant was soon to come online. It also won a 25-year power purchase agreement to build another power plant and LNG terminal at Barcarena, Brazil.

Golar said it would expand its LNG distribution through small-scale shipping in Brazil, telling investors low LNG prices made an already viable business "even more compelling".

Progress made in digital shipping platform network

A GROUP of carriers and terminal operators have signed an agreement indicating their intention to become shareholders of a new blockchain-based liner shipping platform.

The Global Shipping Business Network will be established as a not-for-profit organization that operates and facilitates a secure and trusted data exchange platform for all stakeholders along the supply chain, according to CargoSmart, the platform operator.

Once all regulatory approvals have been obtained and the GSBN is formed, it will lead the development of innovative applications to create value to stakeholders in the supply chain," it said.

Polaris VLOC stranded off northeast Brazil

A very large ore carrier owned by Polaris shipping is reportedly stranded off Sao Luis, Brazil.

The 300,630 dwt, 2016-built Stellar Banner ran aground while navigating the outer Sao Luis

roads on 24 Feb 2020, according to Lloyd's List Intelligence data.

Forepeak void tank sustained some damage, but cargo holds were found intact, the data shows. At the same time, salvage company has been arranged while no casualty or pollution was reported. Local media said that the 20 crew members on board had been evacuated safely.

Klaveness Asia board member joins SCMA

SINGAPORE Chamber Maritime Arbitration has appointed Punit Oza, a Klaveness Asia board member, as executive director.

MrOza, who is a non-executive director at Klaveness Asia, has been an active SCMA member for the last six years. He will join SCMA as executive director with effect from Mar 1.

He has over two decades of experience in the dry bulk shipping segment, first beginning his career with Precious Shipping, which was followed by roles with Noble Chartering and Astra Shipping and thereafter Klaveness Asia.

Pacific Basin unaffected by coronavirus so far

PACIFIC Basin, a Hong Kong-based owner of small to medium-sized dry bulk vessels, said weak seasonal factors in the dry bulk market have been worsened by the coronavirus outbreak.

"The seasonal Chinese New Year dip was compounded and prolonged by reduced demand and disrupted logistics caused by actions to contain the coronavirus," said chief executive Mats Berglund.

The company, however, has not been affected by lost days. Chinese ports have been operational and so have its ships, the executive said on a conference call with analysts.

No definitive list of open loop scrubber bans, say Standard Club

THERE is no definitive list of maritime jurisdictions restricting the use of open-loop or hybrid scrubbers, the Standard Club says.

It warns that operators of vessels fitted with them to check with agents or club correspondents in advance of ports calls where there is any doubt on the issue.

The marine mutual has issued members with a map of countries in which such rules are known to operate. It said that in the European Union, France, Portugal, Spain and Gibraltar are all known to have such stipulations in place.

Finnlines invests in green vessels

FINNLINES is confident it will continue to perform well after investing €500m (\$547m) in greener ro-ro and passenger vessels.

Announcing its fourth-quarter results, the company said it ordered five ultra-green generation vessels, three green hybrid ro-ro vessels and two eco-efficient Superstar ro-pax vessels.

"We will continue to deploy larger and larger vessels in order to benefit from economies of scale," said chief executive Emanuele Grimaldi. "Increased capacity on our vessels has reduced CO2 emissions per transported tonne."

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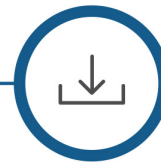
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