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## Government-only vessel-tracking data up for sale 'with US approval'



NEW ADVICE FROM the US administration has effectively endorsed commercialising confidential and sensitive satellite-tracking data previously available only to governments, raising concerns among shipowners and regulators about access and privacy.

Satellite signals from vessels used for Long Range Identification Tracking are now being provided to commercial entities for the first time, based on interpretations of US sanctions guidance for the international shipping industry issued in May.

LRIT is mandatory on vessels to comply with international safety conventions. Signals are transmitted alongside the better-known and open-source Automatic Identification System technology. Each provides frequent, real-time information about a vessel's location and identity to governments and search and rescue services.

But unlike AIS, LRIT vessel-tracking can only be accessed by each ship's flag authority. As a result, the data is widely viewed as confidential, with access to government agencies only.

This thinking has now been turned on its head. On May 14, the US departments of State and Treasury, and the US Coast Guard jointly released the advisory for the maritime sector to address illicit shipping and sanctions evasion practices. Tough unilateral sanctions on Iran and Venezuela imposed more than 18 months ago are restricting exports of energy commodities, placing additional scrutiny on vessel movements.

The extensive, 35-page guide outlined common deceptive shipping practices used for sanctions busting and risk-compliance strategies for charterers, banks, marine insurers, vessel owners and others involved in the logistics chain to identify them.

One of the so-called deceptive practices listed was disabling a vessel's AIS during voyages to disguise the origin and destination of sanctioned cargoes, a practice known as "going dark". Tankers transporting Venezuelan oil, as well as Iranian crude, products and liquefied petroleum gas routinely switch off AIS transponders in order to avoid detection.

### **Small print**

To counter this, the advisory recommends for the first time that LRIT is used to supplement AIS tracking. It is this innocuous paragraph within the guidance that allows and supports the technology being commercialised, according to UK-based company Pole Star.

Pole Star already manages LRIT data for more than half the world's fleet via contracts with the world's largest flag authorities, including Panama, Marshall Islands, Liberia and Singapore. Pole Star provides the equipment on vessels that transmits the signals to its data centre through either Inmarsat or Iridium satellites. It then passes on the ship information to its flag authority and government customers.

"Anybody who takes payment from clients in US dollars now has a regulatory right to utilise this type of information because they are now obligated to undertake 'Know Your Customer' measures," Pole Star chief executive Julian Longson told Lloyd's List. According to Pole Star's interpretation of the guidance, this means that banks, marine insurers, charterers and others required to undertake risk compliance checks that included vessel-tracking, can access the same data transmitted for LRIT if they want.

Pole Star says it worked closely with the Department of State during a year-long consultation process with the wider maritime community to promote the use of LRIT technology.

As a so-called Application Service Provider, Pole Star is one of at least two companies that supplies pre-installed tracking equipment such as Inmarsat-C GMDSS system on vessels.

But in order to use the data for commercial purposes, Pole Star is circumventing the flag state.

"We do this independently of the flag. LRIT is completely separate," said Mr Longson.

"We are establishing a *parallel* ship position reporting mechanism that is technically the same as LRIT but set up separately by Pole Star using Inmarsat or Iridium and therefore billed separately to the commercial entity."

The availability of commercially available LRIT data has happened so quickly that it has blindsided the regulatory agency overseeing satellite shipping data.

The International Mobile Satellite Organization, which oversees the provision of global maritime distress and safety systems, including LRIT, was unaware the data was being offered for sale outside government agencies. IMSO is part of the International Maritime Organization.

"Our assessment is that the current regulations do not permit providing LRIT information to commercial entities for onward dissemination as a business service," Moin Ahmed, the director-general of IMSO, told Lloyd's List.

Lloyd's List gave Capt Ahmed further details from Pole Star about how it was circumventing the regulations via a separate, parallel data feed. "This is something we'd have to refer to the International Maritime Organization legal department for further advice," Capt Ahmed said, including checking contractual obligations of satellite providers.

### **Tracking frequency**

IMO regulations mandate that vessels signal their location via LRIT at least every six hours, or more frequently if their flag authority requests it.

Like AIS, any LRIT system should be transmitting continually. But unlike AIS, few shipowners disable LRIT when needed for safety or security reasons on the basis that the data is not commercially available. Although vessels switch off AIS to avoid detection for shipping sanctioned cargoes, not all missing signals are for deceptive reasons.

AIS technology can often be patchy and unavailable in busy areas. This is why the US State Department recommended supplementary tracking with LRIT.

Inmarsat, the London-based provider of maritime satellite communications, has "nothing to do with who can access the [LRIT] data and who has the rights to that data", a spokesman said.

“It is up to the Application Service Provider. We just provide [the signal] to the ASP,” he said.

“We have never had control of or access to that data as that sits with the ASP and the Contracting Government.”

Under the International Convention for the Safety of Life at Sea, known as Solas, LRIT reports are forwarded to the data centre nominated by the ship’s flag state.

Pole Star said it worked closely with the US Department of State in the months before it released the marine advisory to guide on LRIT policy issues.

The US advice was incorporated under a section about monitoring ships throughout their entire transaction lifecycle.

“Shipowners, managers, and charter companies are encouraged to continuously monitor vessels, including those leased to third parties,” the advisory said.

“This could include supplementing AIS with Long Range Identification and Tracking [LRIT] and receiving periodic LRIT signals on a frequency informed by the entity’s risk assessment. Port authorities in areas that present a high risk related to sanctions evasion may wish to consider monitoring ships using LRIT within their areas of operation as a risk mitigation strategy.”

The revised Pole Star methodology and data collection appears to sidestep issues about data ownership, although this has not been tested. Flag states are responsible for keeping the data confidential Capt Ahmed from IMSO said.

The agreement made between the flag state authority, known as the ‘Contracting Government’ in

the Solas regulations, and the data centre operator (which could be a commercial service provider like Pole Star or a government entity) ensures the proper use of LRIT, according to the IMSO.

“Regarding the ownership of the LRIT information within the LRIT system, from our perspective it is the flag state who owns the data. Other Contracting Governments receiving the LRIT data are expected to follow the Regulation 19-1 of Solas Chapter V when processing the LRIT information,” he said.

That regulation says the contracting governments must “recognise and respect the commercial confidentiality and sensitivity of information received”.

Others working in related sectors who spoke to Lloyd’s List on the condition of anonymity suggested that US sanctions regulators do not fully understand the implications of endorsing LRIT use for the commercial sector.

The Department of Treasury and its Office of Foreign Asset Control have been frequently criticised over the past 18 months about how they have handled complex sanctions against Venezuela and Iran.

Whether the commercial use of LRIT sits comfortably with shipowners is unclear because the fact the data is now being available to charterers, banks and marine insurers is not widely known or understood.

“This development raises more questions about the new sanctions guidance than it answers,” a representative from one industry group told Lloyd’s List.

“We will be watching this very, very carefully to see how widely it is taken up.”

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## WHAT TO WATCH

# US wields ‘stick-and-carrot’ policy to warn owners away from Venezuela

ANOTHER Greece-based shipping company has announced it is halting Venezuela port calls except with prior US approval as the shipping industry grapples with an apparent change in how Washington is wielding its sanctions policy towards tanker operators.

The US campaign against the Venezuelan government of Nicolas Maduro has intensified its focus on tanker calls to the South American country since the start of this month when four Greek-run tankers were backlisted by the US treasury department’s Office of Foreign Assets Control.

The last of the four to break a public silence, Afranav Maritime, the registered owner of the aframax *Athens Voyager*, said that the designation of the company and the vessel had “prompted the adoption of a firm policy that prohibits vessels calling at Venezuelan and sanctioned countries until there is a change in regime”.

The statement, provided in writing to Lloyd’s List, echoed similar pledges made by Dynacom Tankers, NGM Energy and Thenamaris about a week earlier.

[sidebar#LL1132744]

The statement added: “Afranav’s commercial manager Chemnav Shipmanagement has also adopted such a policy across the board of all its managed vessels barring a change in regime or a license from Ofac.”

In a whiplash-inducing move on Thursday, Ofac removed *Athens Voyager* from its list of “specially designated nationals”, known as the “SDN list,” seemingly in return for a pledge of future compliance with the sanctions. Similarly removed from the blacklist was the Dynacom-managed suezmax *Chios I*.

The delistings came just days after a meeting between the president of the Union of Greek Shipowners Theodore Veniamis and the US ambassador to Greece, Geoffrey Pyatt.

According to the Greek side, the ambassador — while reiterating the US’ determination to strictly enforce sanctions — hinted strongly that the cases could have a “positive outcome”, given the shipowners’ readiness to heed the warning and shun Venezuelan business.

“Today’s delisting action supports the statement that US sanctions need not be permanent,” the Treasury department said.

“Sanctions are intended to bring about a positive change of behavior, as identified in the case of these maritime entities,” it said. The US had “made clear” that “the removal of sanctions is available for [designated] individuals and entities”.

To be eligible for parole, however, companies should “among other things, take concrete and meaningful actions to restore democratic order, refuse to take part in human rights abuses, speak out against abuses committed by the illegitimate Maduro regime, cease involvement in the oil, gold, financial, and defense and security sectors of the

Venezuelan economy, or combat corruption in Venezuela”.

One owner who has run foul of US sanctions said: “Owners have to align with US foreign policy on this matter — I think that is the key issue.”

Washington’s adoption of what is clearly a stick-and-carrot policy still left questions in the air as two of the other quartet of vessels remained blacklisted despite similar expressions of co-operation from their owners and managers.

Industry sources, however, believe that both are also likely to be delisted and that the delay is process-related.

At the same time, two further Greek-linked tankers were freshly blacklisted on Thursday for transacting with Venezuela’s oil industry.

One of these, the 18-year-old aframax *Euroforce*, is managed by Eurotankers, which according to Lloyd’s List Intelligence data has been one of the more frequent Greek callers in Venezuela over the last 12 months, going by tonnage arriving at terminals.

The other new addition to the blacklist, though, is the 2003-built aframax *Delos Voyager*, that databases link to Chemnav, begging the question of whether companies that play along are eligible for a blanket parole.

A source familiar with the US administration’s workings suggests that the targeting of *Delos Voyager* may have been a mistake.

“They don’t know who the ultimate owners are when they are targeting vessels,” the source told Lloyd’s List. “It can easily happen.”

Others suggest that Ofac failed to make the connection with Chemnav due to the use of a third-party shipmanager for the second tanker.

“The US is continuing to focus on the maritime industry, and in particular, non-US companies and vessels that do business with the government of Venezuela,” US law firm Seward & Kissel observed after the latest blacklistings and delistings.

“As such, even non-US companies face risk operating in certain sectors of the Venezuelan economy, including the lifting and transport of Venezuelan crude oil from Petroleos de Venezuela (PdVSA) or other companies owned by, or acting on behalf of, the government of Venezuela.”

# Teo family said to cede control of PIL

RESTRUCTURING of debt-laden Pacific International Lines will include significant equity dilution for the Teo family, who stand to lose control of the shipping firm they have held over two generations, according to people familiar with the matter.

They have also suggested that bank creditors of the Singaporean line will need to write off a big chunk of the debts as part of the deal.

PIL announced last month that it was in talk with Heliconia Capital Management, an affiliate of Singapore's sovereign wealth fund Temasek, about a potential investment plan.

Sources close to the process told Lloyd's List the plan will consist of Heliconia providing loans as well as acquiring a large stake in the shipping firm.

The proposal at hand is understood to have called for significant dilution of the Teo family's equity interests and for them to cede control over the business.

One banking source said that the family would see their role reduced to that of "a manager".

A PIL spokesperson declined to comment.

Unconfirmed market talk priced the initial deal on the table at \$400m but this is likely a moving target subject to negotiation among all parties at the table.

The rumoured deal value is nonetheless just over one tenth of PIL's total debts of \$3.9m as of Jun 30, 2019 based on its latest available financial report, suggesting creditors would face deep haircuts.

Alphaliner's principal analyst Tan Hua Joo said that the rumoured sum is "too small an amount", adding that he expected more liquidity to be injected from Heliconia via debt-to-equity swaps.

An involved source countered, however, that it is not feasible for the potential investor to start "filling a hole from 1,000 feet deep".

Negotiations are said to have been ongoing for six months now and look set to drag on further.

Still, the involved parties seemed to want to keep the proceedings out of court, which can lead to savings on legal and administrative costs.

As the identified white knight on the horizon, Heliconia has traditionally focused on funding small, medium enterprises back home and tends to take a longer term horizon with its investment portfolio.

PIL, which emerged leaner post-fleet and asset divestments, is deemed as fitting in with Heliconia's mandate.

The Temasek-backed fund house is believed to have been tasked — along with other state-linked apparatus — to help local businesses tide over the coronavirus crisis.

For now, the expectations are that after Heliconia comes on board, PIL would stay the course as a "niche player" and refrain from exposure to the main lanes.

The incumbent chairman SS Teo told Lloyd's List earlier that the shipping line would concentrate on growth potential in Asian and African markets, having in March quit the transpacific trade as "part of a wider strategic review of its business".

This followed on from the recent sale of some 11,800 teu ships that the Teos had previously invested in to build capacity for transpacific trades in 2016.

PIL was founded by SS Teo's father Chang Yun Chung in 1967 and has grown from a shipping line with just two small secondhand bulkers to the 10th-largest box carrier in the world, boasting a fleet of over 100 ships.

The family-run shipping line is not the only one identified for state-backed aid in the troubled container shipping segment.

Marseilles-based CMA CGM, which ranked among the top three biggest liners, has landed \$1.1bn in state-guaranteed loans.

South Korea's HMM has raised funds from \$600m convertible bonds issued to policy lenders.

More recently, Evergreen and Yang Ming also revealed that they were set to receive loans totalling \$T16bn (\$568m) guaranteed by the Taiwanese government.

Mr Tan of Alphaliner, however, has challenged the rationale for tipping into state funds to help PIL.

“The strategic value of PIL to Singapore is questionable as it has a global market share of less than 2% and it contributes less than 3% to Singapore’s total container volumes,” he said.

“The longer-term viability of PIL as a stand-alone entity is also questionable given its relatively small size and lack of profitability.”

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## ANALYSIS

# German shipowners face liquidity crisis

GERMAN shipowners require access to liquidity if the country’s fleet is to avoid the devastation it faced during the global financial crisis, when nearly a third of the fleet was lost.

“German shipping has the same problem as all the other countries,” German Shipowners Association (VDR) president Alfred Hartmann told Lloyd’s List. “Different segments are affected differently, but coronavirus may affect the businesses more than the financial crisis in 2008-2009.”

German shipping differed, however, as it was based around a large number of small- to medium-sized companies, many of which were family owned.

That meant that aid packages such as the \$1.1bn loan received by CMA CGM, which was 70% guaranteed by the French state, were not an option available to most companies.

“If we could get the type of support that CMA CGM got it would be fine, but the structure of the German ownership is completely different,” Mr Hartmann said. “Most only have two to six vessels and for them it is more difficult to get real help.”

Instead, he called for more support from banks and lenders to support the fleet.

“We need liquidity at least to compensate the losses that are really deep and caused by the pandemic,” Mr Hartmann said.

“That would help a lot. There are possibilities to get money but you need the banks with you and they have to take some risk. They are not very willing to take the risk after they lost so much money in shipping.”

Loan deferrals would be the best option, he added, but even these were not easy, as the loan still had to be repaid as the asset was getting older.

The VDR recently called for government support to help the sector, which was only just recovering from the previous crisis when the pandemic struck.

“Companies were not financially healthy, so we need the assistance of our banks and our government to overcome the crisis,” Mr Hartmann said.

He added that it was in Germany, and Europe’s interests to have an independent shipping sector.

“Our governments have to understand that they cannot be dependent only on others,” he said. “We need to be independent in Europe. If sea trade is disrupted there are many goods not coming in or going out. So we need a shipping sector and we need local European shipping companies.”

While there was a risk of subsidies distorting competition, this was also true of the threat to European shipping, he said.

“We need a European fleet to not become dependent on overseas shipping companies that are supported by their governments,” Mr Hartmann said.

“My belief is that if we are compensated for what we have lost through coronavirus, that will not disturb the competition. But otherwise the European fleet will be lost, and with it all the maritime knowledge and research.”

Mr Hartmann also called on governments to work harder to solve the crew repatriation crisis that was still affecting seafarers, despite some easing.

“In the US, Canada and Europe it is now possible to do some crew changes, but the issue is that there are no flights to repatriate the crew,” he said. “If you are able to replace crew, there is no way of getting crew there or home.”

He said the VDR had been in discussions with the International Transport Workers’ Federation, which has said it would support workers who were serving beyond their contracts to stop working.

“It is not that the owners are not willing to change the crew,” Mr Hartmann said. “It is in our interest to change the crew because after 10-12 months, people

are getting sick and tired. But in most cases we are not able to change them.

“Seafarers are responsible people, and although it is not unusual to be far away from home it is not usually for this long. This has been the big problem. It is not only that he is onboard the ship for 12 months or longer, but they cannot even leave the ship for medical attention.”

The ITF action was adding pressure to the cause, he said, but was unlikely to be successful.

“It is making more problems for the shipowners who cannot do anything,” Mr Hartmann said. “If someone is going on strike in Africa, what can you do? The ship is stuck for a couple of weeks because the local government will not allow them off the ship.”

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## MARKETS

# Hafnia plans product tanker market consolidation move

HAFNIA, a product tanker owner, says it plans to create a new business with “industry peers” to handle smaller vessels.

The BW-controlled firm announced it plans to enter a new product tanker segment with unidentified partners to form an entity called “Hafnia Specialised” that will handle ships below 25,000 dwt.

The announcement comes after rival product tanker owners Norden and Diamond S agreed to consolidate their product tanker commercial management operations.

Hafnia, which controls a fleet of 180 product tankers through pools, said it welcomed continued

interest in the consolidation of the product tanker market.

“The expansion of pools through commercial alliances demonstrates that our peers also recognise the value in market consolidation,” it said.

The company believes the industry is now more “robust” in its efforts to balance supply and demand amid reduced oil consumption.

“Hafnia sees slightly positive market signals pointing towards a better recovery than expected by most, with airlines, businesses and critical infrastructure opening up again faster than anticipated in many parts of the world,” it said.

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## IN OTHER NEWS

### Maritime charity retracts criticism of support for seafarers

HUMAN Rights at Sea has apologised for its criticism of union support for seafarers who wanted to stop working amid the crew-change crisis.

This week, the maritime charity denounced the International Transport Workers' Federation for saying it would “assist hundreds of thousands of seafarers to exercise their right to stop working, leave ships, and return home”.

The ITF's announcement came after a month-long agreement between unions and employers

for seafarers with expired contracts on ships to keep working expired on June 16.

### Wallenius Wilhelmsen admits cartel conduct in Australia

WALLENIUS Wilhelmsen, the Norway-headquartered car carrier giant, has pleaded guilty in the Federal Court of Australia to criminal cartel conduct, the country's competition regulator said.

The company was with cartel conduct over transportation of vehicles to Australia between June 2011 and July 2012, the Australian Competition and Consumer Commission said.

“We are pleased that by entering a guilty plea, [the company] has acknowledged its role in this criminal cartel,” commission chairman Rod Sims said in a statement. “This plea means the last of the cases in the long-running shipping cartel matters is now closer to being resolved.”

### MSC Gayane crew member admits cocaine trafficking

A SEAFARER on a boxship at the centre of one of the largest drugs seizures in US history has pleaded guilty to cocaine trafficking.

The 2018-built *MSC Gayane*, which is owned by JP Morgan

but was being operated by Mediterranean Shipping Co, was detained last year after US Customs and Border Protection officers mounted a raid that discovered 18 tonnes of cocaine with a street value of \$1.3bn on board.

"Federal agents found nearly 20 tons of cocaine hidden on this ship when it arrived in the port of Philadelphia in June 2019," said US Attorney William McSwain in a statement this week. "We want to send a strong message to criminals around the world that Philadelphia is not a safe harbour for their deadly drug trafficking."

#### **US regulator singled out for proactive health crisis response**

THE Federal Maritime Commission has been singled out as one of the few competition regulators in the world to be taking positive steps during the coronavirus pandemic to improve the efficiency of supply chains, in

contrast to the more conventional approaches of most authorities with antitrust jurisdiction over the maritime industry.

The US agency, which is responsible for regulating liner and passenger shipping, has adopted a proactive initiative to bring together stakeholders from across the transport industry in an effort to seek solutions to problem areas such as port congestion, or onward road and rail connections.

The contrasting response to the health crisis between it and two other bodies with oversight of the US transport sector was highlighted by lawyer Jeff Lawrence during a webinar.

#### **Fire on Grimaldi ro-pax off Italy**

A CAR caught fire on a Grimaldi ro-pax vessel last week.

A Grimaldi spokesman said the fire on June 18 was extinguished

after about 30 minutes and there were no injuries.

The incident, on the Italian-flagged *Cruise Bonaria*, came a day after another car fire in Belgium.

#### **US sanctions more companies over links to Venezuela**

THE US has blacklisted Mexican companies Libre Abordo and Schlager Business Group, as well as their co-owners, accusing them of helping Venezuela's president Nicolas Maduro evade US sanctions.

"The US took steps to stop the Maduro regime from stealing Venezuela's oil," US Secretary of State Mike Pompeo said via Twitter.

"These sanctions target the illegitimate regime's 'oil-for-food' scheme that had no intent of providing food to the people. We stand with Venezuelans in their quest for freedom and prosperity."

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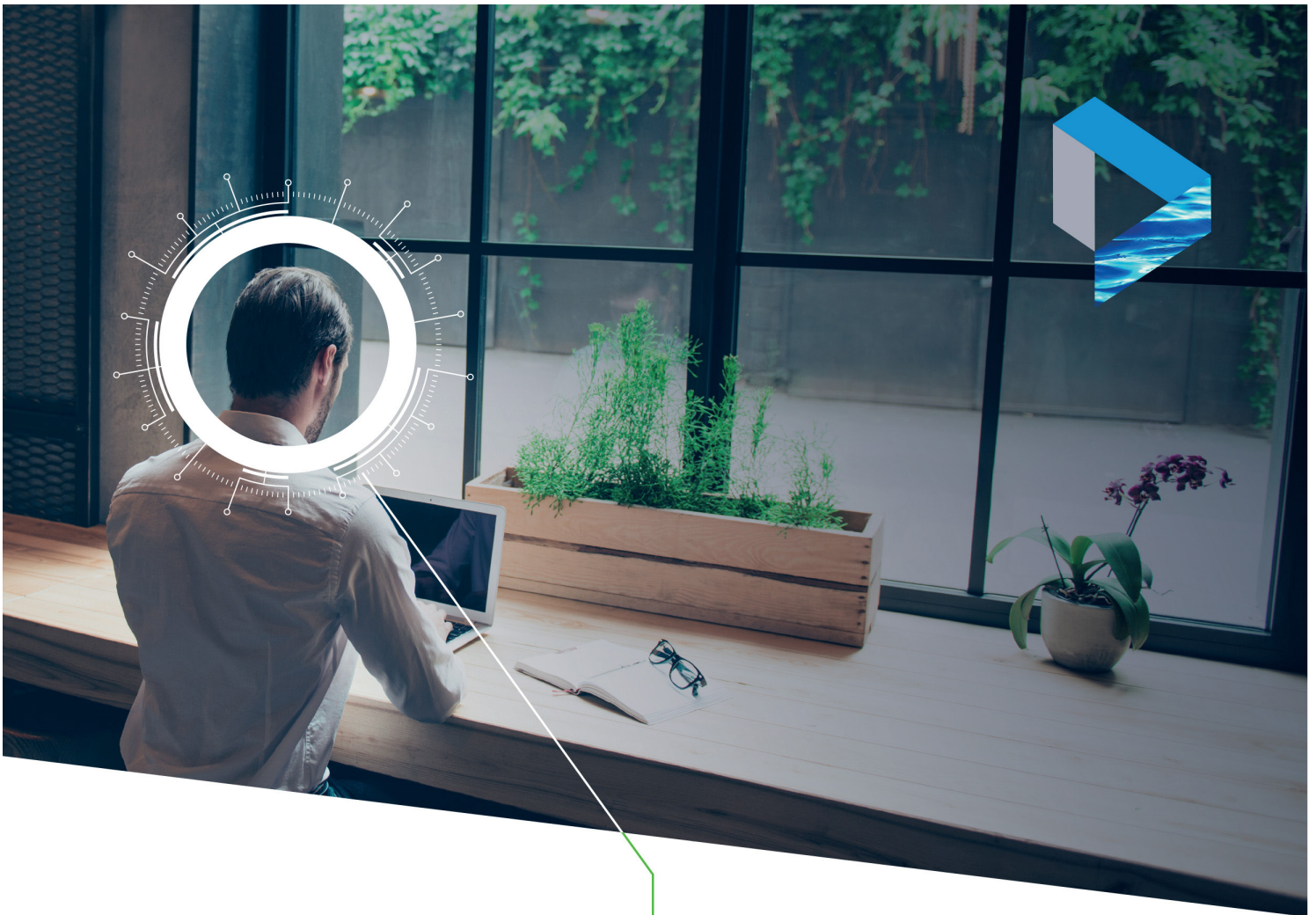
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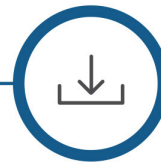
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