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Owners rebuke crewing agents and airlines as stranded seafarers rise

INTERCARGO HAS TARGETED crewing agents and airlines as key contributors to the unresolved crewing crisis that has left 300,000 seafarers stranded at sea and unable to be repatriated.

Describing the situation as reaching "farcical proportions", chairman Dimitris Fafalios said Seafarer Employment Agreements had expired for about 35% to 40% of seafarers currently on ships.

Of these, 10% had served between 12 and 17 months, well beyond the nine-month industry standard and over international maritime labour convention limits.

Airlines' unwillingness to make flights available between shipping destinations and crew source countries was one of two key bottlenecks, Mr Fafalios said.

The second bottleneck came from health and immigration authorities who failed to recognise United Nations protocols for crew changes that designated them as key workers.

Mr Fafalios is the second high-profile shipping executive to publicly shame airlines for not doing enough to redress the crisis by expanding flights, and to target crewing agencies for a lack of vigilance over coronavirus-positive crew.

Singapore Shipping Association executive director Michael Phoon said earlier this month that airlines weren't doing enough and must schedule additional commercial flights to enable repatriation.

Intercargo reminded airlines that the shipping industry provided them with “great economic support” through seafarer, superintendent, specialist technician and surveyor travel before the pandemic saw countries invoke immigration and travel restrictions.

“Hundreds of thousands or even more than a million tickets annually provided a significant economic boost to airlines globally,” the release said.

“Intercargo reminds airlines not to forget seafarers during these difficult times.”

The association, which represents a quarter of the world’s dry bulk fleet, also called for crewing agents to be more vigilant when supplying replacement crew.

“Recent occurrences of Covid-19 positive crew being allowed to travel from their home countries cannot be condoned by Intercargo as it puts seafarers on board and civilians at risk,” Mr Fafalios said.

Intercargo vice-chairman Spyros Tarasis said problems lay with the airlines, visas and health authorities.

“Nothing is being done, and very soon the shipping industry itself may well be obliged/forced to stop the trading of cargoes essential for welfare and sustaining the smooth running of societies worldwide.”

In a setback for shipowners and shipmanagers, Singapore and Hong Kong recently reimposed restrictive policies limiting crew changes after some seafarers tested positive, or falsified Covid tests. In Hong Kong publicity linking seafarers to a second outbreak of the virus intensified pressure on governments to tighten protocols that had enabled easier passage.

“It’s not the rigorous controls that are impeding crew changes, it’s the people,” Mr Phoon told Lloyd’s List in an earlier interview.

“There are (seafarers) who’ve declared they’re self-isolating but actually they’re not, they’re having a fun time partying at a pub and drinking before they board a ship and they bring the infection on board.

“They (policy-makers) say that the companies should have a second layer of testing before they board the ship to catch them but that’s not the answer because the problem is the crew mentality.”

He added: “If I am a very responsible manning and crewing company and if you were due for a roster and to be signing on, I would need to make sure that you stay in isolation.

“I would check up on you. If you have a smartphone I would want you to turn on your location and I’m going to call you every day to make sure you are where you say you are. And if you’re not, then you’re not rostered for duty, you lose your income.”

Lloyd’s List contacted the Geneva-based lobby group for commercial airlines, the International Air Transport Association on July 15, asking for a response to shipowners and shipmanagers’ concerns about flight coordination and communication.

IATA has yet to respond to this email or subsequent phone or email messages.

Intercargo said countries who did not recognise seafarers as key workers bore responsibility for the inhumane situation at sea.

“Some Governments are not facilitating the crew change even for their own citizens,” it said. “This includes imposing all possible restrictions on crew change in their home country, restricting flights and applying policies which do not allow seafarers to fly to foreign countries to join ships.

“It’s a sad story and it can’t continue like this unless Port States who export/import cargoes ensure that ships will not depart with seafarers serving over the Maritime Labour Convention limit.

“More and more countries are prohibiting crew change, though they welcome the cargoes the ships bring to support the welfare of their society.”

WHAT TO WATCH

Crew change crisis all at sea in search of a global solution

SEAFARERS working for medium-sized or small companies may find themselves staying on board for months after their contracts expire, given that the crew change crisis shows no signs of being resolved any time soon.

Those companies with global networks and deep pockets are starting to find ways round the situation, even if that means chartering planes or using the company jet to fly seafarers home when no commercial airline services are available, having already determined which ports are the most amenable for crew changes in the current circumstances. Container lines, with their scheduled services, are probably in the best position of all.

Smaller owners, operators and managers, however, are struggling to navigate the myriad of immigration and quarantine demands that are constantly changing, and then can barely afford the onward travel costs for crew members who need to be repatriated.

"It was a nightmare," according to one source directly involved in the changeover of a ship's entire crew earlier this month.

Speaking to Lloyd's List, the industry executive said the problem was made worse by the fact that all those on board had to leave the ship because of the appointment of a different technical manager following a new charter.

For the incoming crew, the procedure was relatively straightforward, as they were tested for coronavirus before they boarded the flight to join the ship, and then again just before getting on the vessel, to make sure they were 100% healthy.

But arranging for a multinational crew to disembark, after up to six months at sea, and then fly home, was far more complicated.

"We tried Singapore, Hong Kong and even Cape Town," said the manager's representative, who requested anonymity, but flights back to the Philippines where most of the seafarers live, or other destinations, were few and far between.

Local rules only added to the confusion. In Singapore at the time, for example, a ship was not allowed to sail until the departing crew had all left Changi airport. That was to ensure that if a particular seafarer was unable to fly out for some reason, they would be able to return to the vessel.

That requirement could delay a ship for a week or even much longer, depending on the next available flights for the home-bound crew.

But the requirements covering ship personnel are changing all the time.

In the case of the ship in question, some of the crew were allowed to disembark in Busan, a process that went smoothly. For most of the others, the shipmanager was eventually able to charter a flight from Hong Kong to Manila. But with no small planes available, a large jet had to be hired, at a cost of around $25,000. That represents a huge expense for a small owner or operator.

Even then, the process was not straightforward, as some of the senior officers stayed on the ship until it was handed over to the new technical manager in Singapore. There, the east European officers were able to leave and fly back to Germany, but for a while it looked as if an Indian officer would have to remain on board indefinitely because of the lack of flights to India. Finally, he was able to disembark in Singapore, catch a flight to Doha, and then another to India.

While the big shipmanagers are probably able to work together to consolidate crews on flights, and negotiate discounts from the charter airlines, this is far more difficult for the smaller players, the source said.

"Someone needs to take the lead," to find an industry-wide solution, he urged, while acknowledging that it was not easy to see where that leadership should come from.

In the meantime, small and medium-sized operators may just say to their crew: "We cannot get you off, so please stay on board."

And ironically, despite the very real concern about those stranded at sea, their mental well-being, and anxiety for their families, some may nevertheless be content to remain on their ships.

"Do not assume every crew member is desperate to go home," the person said. "A ship is safe place to be during the pandemic. Crew members are being paid, and they are not at risk [of catching] Covid-19 back home in the Philippines or India"

Hong Kong halts crew changes for non-cargo operation vessels

HONG KONG has decided to suspend crew changes for vessels without cargo operation, as the city tightens its quarantine measures for arriving seafarers amid soaring local coronavirus infections.

The move represents a setback to the previous relaxation in early June, when crew of cargo ships calling for other purposes — such as bunkering, supplies, sale and purchase delivery, repairs, docking and surveys — were largely exempted from the quarantine requirements.

The suspension will take effect from July 29, according to a government statement.

Crew rotation for cargo-operation ships is still permitted, although testing and other virus prevention arrangements for those seafarers will become stricter.

"We believe that after tightening the relevant conditions, public concerns about the public health risks can be suitably addressed," said a government official.

The easing of crew change restrictions earlier was blamed for contributing to the fresh outbreak of the coronavirus in Hong Kong since the second week of July. The city has reported more than 100 daily new infection cases for five consecutive days, with 128 cases confirmed on Sunday.

The government announcement comes after the Hong Kong Shipowners Association and the Hong Kong Seamen's Union both said on Saturday that they had advised the government to further tighten crew change policies.

Measures suggested by HKSOA included only allowing Hong Kong-flagged ships and ships of locally registered companies to perform the activities in the next two weeks, and imposing penalties on any parties found to be in breach of the relevant laws.

"We hope that the government will take our advice," said the association's chairman Bjorn Hojgaard in a press release. "The coronavirus pandemic impacts us all. Nobody can tell how this will play out eventually, but one thing is certain — we need many 'key workers', including seafarers, to help us win this battle."

HKSOA, alongside the Hong Kong Liner Shipping Association, had last week already recommended that their members suspend crew changeover in the Asian maritime hub for three weeks.

"Our union considers that it is reasonable to allow crew changes in Hong Kong, which is also the right of seafarers," said the HKSU. "But at the same time, in order to reduce the concern of the local community on the impact of crew changes in Hong Kong during Covid-19, our union believes that it is necessary that the government further tighten the relevant quarantine measures, so as to ensure that the safety of crew changes in Hong Kong and reduce direct contact with the local community."

ANALYSIS

Shipbreaking case has consequences for liability

THE death of a shipbreaking worker in similar circumstances to the case facing Maran Tankers would likely lead to criminal prosecution if it happened today, according to a legal expert.

Martin Hall, head of marine casualty at Clyde & Co, told Lloyd's List that he assessed the claimant's chances of success as low. But nevertheless, owners need to be aware of their risk of both criminal and civil liability, he added.

An application for summary judgment in *Begum v Maran* earlier this month heard how Hamida Begum's partner Khalil Mollah died while working on the demolition of 300,294 dwt tanker *Maran Centaurus* in 2018.

Justice Robert Jay ruled that the claim for unjust enrichment against the Angelicoussis-linked tanker operator was unsustainable.

Nevertheless, he found there was a real prospect of success both in the claim of negligence and in establishing that the claim is governed by English law.

He also rejected Maran Tankers' attempt to have the case dismissed on the grounds that it was too far removed from the accident to have a duty of care, and that it had no control over the operations of the recycling facility.

Law firm Leigh Day, which acts for Ms Begum, said the company had the ability to control where the ship was scrapped, and opted for Bangladesh, despite knowing that country's known bad record on safety.

It also contends that shipping companies cannot rely on contractual clauses from cash buyers that stipulate the use of ethical shipyards, when it is obvious that these clauses will be ignored.

Maran has said it intends to appeal.

Mr Hall pointed out that the fatality occurred prior to the entry into force of current European Union guidelines on shipbreaking at the end of 2018.

"The circumstances surrounding this incident could well have given rise to an investigation by the EU, and a potential criminal action against the owners as sellers," he said.

Essentially, nobody who owns, manages or operates a vessel from EU is permitted to sell it for scrap to a yard that does not meet the bloc's requirements.

But it has long been standard practice to sell vessels at the end of their working lives to third parties on an "as is, where is" basis.

This is done largely for convenience, as it transfers cost of delivery for breaking and the risk of scrap prices falling during the voyage to other hands. But it is not a means of circumventing the EU regulations.

"This is a tortious civil case, but this sort of scenario has already been envisaged by the EU, and this is one of the reasons they are trying to crack down on these unsafe practices in certain shipyards around the world," he said.

"The initial reaction would be, what the hell does the seller of a tanker to a third party, on an 'as is, where is' basis, have to do with the death?

"The connection is tenuous, there is a long chain of parties, and for the tortious action to succeed, the dependents of the deceased person have to demonstrate that there is sufficient connection, and that the seller owes a duty of care to the deceased worker. To my mind, that's a stretch."

But while Mr Hall believes the chances of the claim succeeding are ultimately poor, environmental laws as they stand provide at least the makings of a case.

If it succeeds, it would establish that owners have potential tortious liability to anybody who may suffer injury at a non-designated scrapyard. The message is that owners need to dispose of ships in socially responsible way.

However, the number of further claims is likely to be limited, thanks to the paucity of physical shipowners in the UK.

"I think this is going to be a bit of a rarity. The only reason this has come before an English court is that the defendant is an English company. Most owners and managers will not be within the English legal system. Another case may end up before some other jurisdiction, which may take a wholly different view."

MARKETS

Diana eyes further vessel disposals as losses widen

DIANA Shipping, the US-listed owner of 40 bulk carriers, is looking to sell more vessels in what has been described as a challenging and difficult dry bulk market.

"The option to sell more vessels is there," said the company's chief financial officer Ioannis Zafirakis on a webcast discussing its second quarter of the year results.

The proceeds from the vessel sales would either be kept in reserve, or used to reduce debt or buy back shares, he said, prioritised in that order.

The company posted a net loss of $12.2m in the second quarter of 2020 compared with a loss of $2.7m in the same period a year earlier, it said in a statement.

Revenues dropped to $41m during the second quarter of the year as it reduced its fleet, selling six vessels in 2019 and one so far this year. It had $102m in cash and equivalents as of the end of June.

Coronavirus has been an event that has "shaken" the world, with most economies, if not all, facing a drop in gross domestic product, the executive said, adding that everyone should be worried about demand for seaborne trade, which is seen falling by about 4% this year.

That compares with dry bulk fleet growth of about 2.4%, dropping to about 1.3% next year. About half the panamax fleet is old, at more than 20 years of age.

Owners are rethinking scrubbers, the company president Anastasios Margaronis said, with the number of retrofits dropping to 30 from more than 100 at the start of the year, as the payback period has been extended to five to six years because of the narrowing of the differential to $60–$70 per tonne between high-sulphur and low-sulphur fuel oils.

For smaller bulkers, such as panamaxes and supramaxes that consume less fuel, the payback is closer to the eight year mark at current prices, he noted.

Meanwhile, chairman and chief executive Simeon Palios has now made a full recovery after he contracted the coronavirus earlier in the year.

Blanked sailings boost OOCL's revenue despite reduced volume

ORIENT Overseas Container Line has seen improved revenue in the second quarter of the year despite a decline in handling volume, according to an exchange filing.

The results come as major liner shipping carriers blanked a large number of sailings during the period to shore up freight rates amid the fallout from the coronavirus pandemic.

The Hong Kong-based carrier, now part of state conglomerate Cosco Shipping, reported a 1.1% increase year on year in total revenue to $1.6bn in April to June, while liftings dropped 4.6% to 1.7m teu.

Liftings on the Asia–Europe and intra-Asia–Australasia routes bore the brunt of the effects of the capacity cuts falling 6.2% and 6.4% respectively.

Volume on transpacific services slid 2.2% whereas that on transatlantic services grew 2.2%.

OOCL said its loadable capacity decreased by 6.4%, but the overall load factor was 1.6% higher than the same period of last year. Accordingly, overall average revenue per teu increased by 5.9%.

Nevertheless, carriers appeared to have slowed down their pace of service cancellations from earlier this month as they seem to believe that sufficient capacity has been removed from the market, according to a recent Sea-Intelligence report.

Bumper grain harvest could offer opportunities

A BUMPER grains harvest, especially from the US, is likely to offer some support for struggling supramax, ultramax and panamax bulker owners.

US grain production is projected to be up 8% compared with the previous year, with oilseed production up 15% compared with 2019, according to the US Department of Agriculture.

Global forecasts for grain production are up by 2% year on year and oilseed production also rose 5% with another decent year from South America as well, USDA said in its July report.

The International Grains Council said in a report that the global grains trade is expected to hit 391m tonnes in the 2020/21 season, an increase from 390m tonnes last year.

"In an otherwise and obviously very challenging year from dry bulk shipping, a strong grain year could be helpful," said Stifel analyst Benjamin Nolan in a recent note.

While grain accounts for just under 10% of total dry bulk trade, grain exports are generally seasonal and can have exaggerated impacts during harvest seasons.

"This is particularly true of North and South American volumes to Asia which have a much longer tonne-mile impact," he said pointing out that during a strong export season, grain volumes can account for close to 15%–20% of total dry bulk demand during the harvest season.

When the dry bulk market is well balanced, the surge of grain cargoes can push shipping rates higher across the entire curve.

Consequently, even in years of weakness for capesize vessels and the iron ore market, there can be some modest outperformance by the smaller ships during harvest.

"We expect this could be the case this year with weakness in the larger categories," Mr Nolan added.

However, simply having a good harvest may not be enough to lift the whole dry bulk market, as segments such as coal could be down by nearly 10% and steel shipments down by high single digits.

Mr Nolan believes that there is likely to be some strength in rates for the smaller ships from September until November, although absolute rates would still be lower.

IN OTHER NEWS

Achim Boehme, chief executive of Lomar Shipping, dies at 56

ACHIM Boehme, a banking and maritime veteran who led Lomar Shipping through a sustained period of expansion and modernisation, has died. He was 56.

The company said Mr Boehme passed away on July 25 at his home in Bremen, Germany, after a battle with cancer.

Mr Boehme joined Lomar's management team as chief financial officer in 2010 and later in the same year was appointed chief executive officer with overall responsibility for the company's strategy and development.

Marmaras rejects allegation of 'shameful' crew pay policy

MARMARAS Navigation, a Greek dry bulk owner, has rejected claims it acted in a "shameful" manner after the Australian Maritime Safety Authority banned one of its vessels for six months concerning allegations that some seafarers had not been paid full wages for nearly a year.

The company has blamed the incident on a discrepancy between International Transport Workers' Federation pay scales and the rate negotiated with a Filipino union.

The outstanding sum will be settled in cash immediately, and all crew will be upgraded to ITF salaries, it pledged.

HPH Trust feels impact of China manufacturing shutdown

FALLING exports from China and a drop in transhipments at its key Hong Kong terminals pushed first half of the year throughput at Hutchison Port Holdings Trust down by 8%.

"The global trade was negatively impacted by Covid-19," the Singapore-listed trust said in a statement. "Outbound cargoes to the US and EU declined in the first six months of 2020 by 17% and 10% respectively when compared with last year."

The 12% fall in throughput at the Yantian International Container Terminals facility in Shenzhen, the group's main gateway to mainland China, was attributed to the decrease in US, European and empties cargoes.

DP World expands with majority stake in logistics operator

DUBAI-based terminal operator DP World has further extended its reach into the maritime supply chain with the acquisition of a 60% stake in South Korea's Unico Logistics.

"DP World's vision is to become the leading end-to-end supply chain solutions provider," said DP World chief executive Sultan Ahmed Bin Sulayem.

"By integrating Unico into our worldwide network we will be able to offer better service to our customers in South Korea and beyond. These new services further strengthen our logistics capabilities, which we are combining with our maritime services operations and our worldwide network of ports and terminals."

First LNG cargo delivered via northern sea route to Japan

RUSSIA'S liquefied natural gas

producer, Novatek has shipped its first cargo via the northern sea route to Japan.

The 172,600 cu m *Vladimir Rusanov* delivered the spot cargo from Novatek's Yamal LNG plant to the Ohgishima terminal at Kawasaki, marking the first discharge of a cargo from a Arc7 ice-class tanker at a Japanese port,

According to Lloyd's List Intelligence's vessel tracking data, the tanker reached Kawasaki on July 22, more than three weeks after departing from Sabetta, Russia.

Westports warns of slow return to global consumption

KEY Malaysian container terminal operator Westports emerged from the coronavirus-hit first half of 2020 with a 9% drop in volume to 4.8m teu because of the worst effects of the outbreak, which was forecasted.

This brings volume in the first half of the year to a level only slightly above the 4.5m teu moved in the same period in 2018, from which the 5.27m teu handled in 2019 was a sharp 17% jump.

Westports said in an exchange announcement that it handled 3.04m teu in transhipment containers while a surge in gateway volume at the beginning of the year helped cushion the effect of subdued volume during coronavirus restrictions in the second quarter of 2020 to register a 2% growth to 1.76m teu.

Classified notices follow

M/V MAERSK HONAM – FIRE ON 6 MARCH 2018
NOTICE OF GENERAL LIMITATION DECREE

In The High Court of Justice of England and Wales
Business and Property Courts
Queen's Bench Division
Admiralty Court

AD-2020-000024

BETWEEN

MSC Mediterranean Shipping Company SA

Claimant

and

(1) Becton Dickinson Medical (S) Pte Limited

(2) All other persons claiming or being entitled to claim damages by reason of the fire on board the "MAERSK HONAM" in the Arabian Sea on or about 6 March 2018

Defendants

BY A GENERAL LIMITATION DECREE made on 15 July 2020, the High Court of Justice ordered that by reason of the provisions of the Merchant Shipping Act 1995 (as amended) the Claimant is not answerable in damages beyond:

a) **123,308,412** Special Drawing Rights or GBP **138,430,128** in respect of loss of life or personal injury; and
b) **61,654,206** Special Drawing Rights or GBP **68,206,267** in respect of all other claims (including, but not limited to, any claims in respect of the loss, damage and delay to any property or to the infringement of any rights);

caused through its act or omission or through the act or omission of any person on board the vessel "Maersk Honam" in the navigation or management of the "Maersk Honam", when she suffered the casualty in international waters on or about 6 March 2018.

The Court also ordered that all further proceedings in any claim against the Claimant arising out of the aforesaid casualty be stayed.

The Claimant was not the operator of the "Maersk Honam". A Limitation Fund has already been constituted in respect of this casualty by the provision of a Letter of Undertaking from the vessel's owners' P&I Club, the Standard Club, to the Court in accordance with the Order of Mr Registrar Kay, dated 10 September 2019 in case number AD-2018-000156.

TAKE NOTICE THAT in accordance with the Decree parties intending to file a claim against the Limitation Fund or to issue an application to have the Decree set aside have until **30 September 2020** (being a date at least 56 days after the publication of this advertisement) to do so. Any such claims or applications must be filed in The High Court of Justice (Queen's Bench Division – Admiralty Court), Ground Floor, 7 Rolls Building, Fetter Lane, London EC4A 1NL (Claim No. AD-2020-000024). Attention is drawn to the provisions of CPR Part 61, including rule 61.11(15) which concerns service of any statement of case.

For the avoidance of doubt, this advertisement and the Decree are without prejudice to the question of liability for the casualty and their contents are without prejudice to, and do not affect, any and all rights that the Claimant may have, including in relation to limitation and/or time bar.

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