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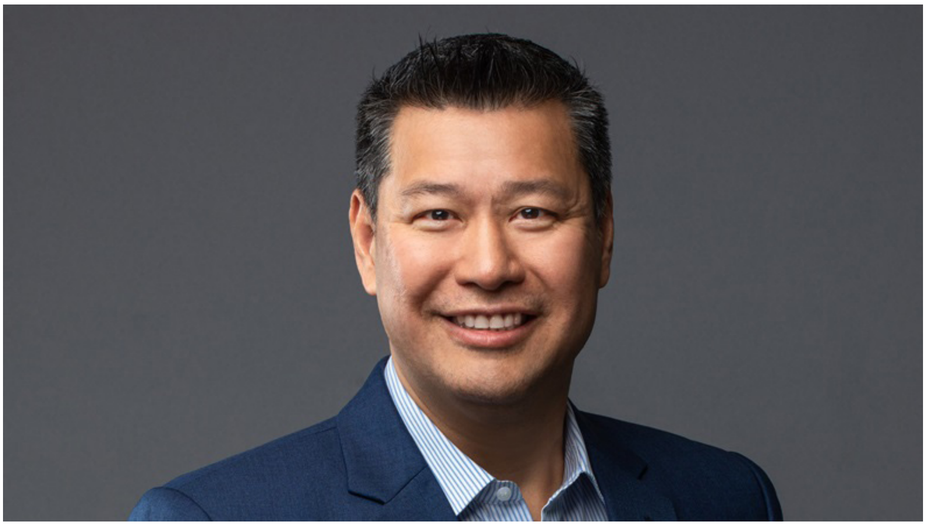
Supply chain shifts alter how container line shipping carriers operate



WHEN TOM HARRIS was moved to Shanghai in 2000 by his former employer — a supply chain management consultancy serving technology firms — China manufactured fewer than 15,000 laptops per day, trailing far behind the then largest producer, Taiwan.

Now China has unquestionably taken over the top seat, with its output more than tenfold over the past two decades, according to Mr Harris, currently Maersk's head of tech and electronics in Greater China.

This is just one example of how the manufacturing industry has changed its course over time.

And that trend continues. Reducing global supply chain reliance on China has become a buzz phrase, with a combination of catalysts, including the rise of Chinese labour costs, the Sino-US trade conflict, the growing markets in emerging economies, and the fallout from the coronavirus backdrop.

The speed of such diversification varies among different products. Some, such as the garment industry, have been growing their manufacturing capacity in Southeast Asia and countries on the Indian subcontinent for many years.

But overall, the so-called China Plus One (or Two) strategy has become increasingly prevalent, says Mr Harris.

"If you go to a buyer and ask him 'do you want a sole source to one supplier?' He would say 'no'," he adds. "There is the need for diversification."

That means China will remain as a large, if not the largest, manufacturing hub in the world, but it will have to cede a bigger portion of its current production.

The implication of that for container line shipping carriers is that the trade flows will inevitably change, the service routes will need to be recalibrated and even the types of vessels used may require redesign in future.

But what is more important — at least for Maersk, the largest shipping line in this sector — is the ability to integrate the whole end-to-end logistics chain beyond the ocean freight portion, which the Danish giant believes will help it stand out from the competition.

That is where experts such as Mr Harris have a role to play. They understand how many layers of extra complexity will be added to the global logistics network as a result of disassembling the world's factory, and the latent customer demand behind the new norm.

Moody's has forecast the coronavirus pandemic will accelerate the fragmentation of the world trade system, "leading to less efficient, less just-in-time supply chains at the global level but an increase in regionally focused production".

And regaining some of that lost ground in efficiency and enhance the robustness of the supply chain will then become a critical question.

The view is partly echoed by Maersk in its recent report The New Norm of Manufacturing, with a focus on the technology and electronics sector.

For the company, one of the opportunities that has emerged from the migration of factories in China is its multi-country consolidation service, according to Mr Harris. The solution combines cargo from different countries of origin to build a full container load container booking that enjoys cheaper freight rates than less-than-container load.

"When everything comes out of China, it is bulk loaded," he says. "But when everything is spread out, inventory from Thailand, Malaysia, Vietnam and China will be aggregated into, let us say, our port of Tanjung Pelepas location in Malaysia."

Looking further ahead, nearshoring, or the trend of bringing production back to regions where it will be closer to the consumer market, may gain momentum.

Mr Harris envisages examples of this trend, such as a high-end, customised gaming laptop produced in Mexico and imported to the US, reacting to the end user's demand in a better and quicker manner.

That, of course, is likely to further complicate the supply chain as some of the components may still need to be shipped from China. But one big advantage of being close to consumers is that it improves the accuracy of forecasts on product demand.

Some consumer goods manufacturers and brand owners have found the prevalence of e-commerce a good way to both simplify their logistics chain and enhance demand visibility, by increasingly skipping the retail channel and going directly to the market with the support of digital technologies.

That has given rise to fulfilment logistics, which moves a product from its point of sale to the hands of the customer and where Maersk is also building its strengths.

All these are bound to bring about more changes and innovation for shipping and the wider logistics sector.

"So if our customers' goal is to diversify their supply chain, while at the same time keeping it resilient, then we have to align to that," says Mr Harris. "And I think it is very much in line with our integrator strategy."

Changing trade patterns boost intra-Asia volumes

CHANGING trade patterns and a move to shift manufacturing out of China have helped boost the intra-Asia trade lane, despite it suffering an early hit from the pandemic.

The trade, the world's largest in terms of volumes shipped, was the first to show a return to growth following the downturn in global volumes that occurred in the second quarter.

Volumes rose by 1% in June, according to figures from Container Trades Statistics, making it the only region to show any growth in June.

"There is something of a decoupling between intra-Asia and the rest of the world," BIMCO chief shipping analyst Peter Sand said in a webinar. "This is something to watch out for in terms of changes to global supply chains.

"What we have seen from the outbreak of the trade war in 2018 is changing patterns of imports to the US from Asia, where a number of goods have shifted production from China."

The pandemic had seen some countries becoming more protectionist of their own manufacturing bases, but this was unlikely to make a material change to Asia's roles as the factory of the world, he said.

"Will they bring home production to where the consumers are? Only in the case where goods can be produced by robotics and labour costs do not matter, but you cannot bring all the cargoes home."

But moving production from China to avoid tariffs or to seek out lower labour costs would keep volumes moving in the region. Products that are labour intensive but low value are moving south to Cambodia, Vietnam and the Philippines, as opposed to high-tech products, where production has moved to Taiwan, Japan and South Korea.

This played into volumes, because the main hubs for the main lane trades to Europe and North America were served by ultra-large containerships.

"If, all of a sudden, you see exports out of many minor ports, you tend to have a higher need for feeder services, in order to bring those cargoes into the hubs and then on to the consumer markets," said Mr Sand. "What we will see is new feeder trade lanes being established with medium sized volumes across the whole Asian region."

These feeder services had been partially responsible for keeping containership cascading alive during the period of lockdown, Mr Sand said.

"There was concern that this would be toxic for the overall market," he said. "But we have seen an upscaling in terms of ship sizes trading intra-Asia. This has been running ahead of actual volumes, helping maintain lower freight rates."

Some services were using vessels of up to 6,000 teu as feeders, he added.

"It was not that long ago that that was a main lane-sized ship."

But this is also putting pressure on terminal operators, because they need to upgrade their facilities to cater for larger ships going into smaller ports. The intra-Asia trade would likely continue to grow even without external forces.

"Asia has seen a rapid increase in economic activity, that had seen the region grow at a much higher rate than in the rest of the world in the past 10 years," Mr Sand said.

"There is higher demand generated internally in the region. This is a market with more than 4bn people working and consuming."

WHAT TO WATCH

Contango speculation as BP charters VLCC for floating storage

OIL traders who reaped massive second-quarter profits amid the pandemic-induced disruption in crude prices have again begun chartering tankers for short-term periods, provoking speculation that floating storage will rise amid a second demand downturn in 2020's last quarter.

There are unconfirmed reports that oil company BP this week chartered the 2003-built very large crude carrier *Gene* for a period of up to six months. Earlier in September, commodities trader Trafigura chartered four VLCCs and one suezmax tanker for periods of six months or less.

The charters are seen even as spot and futures prices in the oil market do not appear immediately profitable for floating storage.

So-called contango plays are seen when current prices are lower than future prices at levels that allow traders to buy crude or refined products in the physical market for storage and take paper positions that allow for later sale at a profit.

Oil prices fell to three-month lows this week amid fears that lockdown restrictions after secondary coronavirus outbreaks in key economies threatened a fragile recovery in global crude demand.

The number of tankers storing clean and dirty products for more than 20 days is tracked at 261.8m barrels on 209 ships for the week ending September 4, according to Lloyd's List Intelligence data. That compares with 311.3m barrels on 274 tankers measured in early June.

Congested Chinese discharge ports have distorted the true number of current vessels storing crude for contango purposes.

Most tankers taken for contango trades were enacted in April for a six-month period, when oil consumption plunged by a third and prices hit 20-year lows. The resumption of further short-term charters, even before crude and refined product price indices signal profitable contango economics suggests traders are bearish about winter prospects.

One of the VLCCs chartered by Trafigura is a newbuilding vessel that is going to load middle distillates for storage.

The vessel *Yuan Kun Yang*, owned by China's Cosco Shipping Energy Transportation, was chartered for six months at $39,000 daily, according to shipbroker reports.

The newbuilding VLCC, currently sailing for Singapore, is said to be loading a diesel cargo for storage, adding to a dozen tankers said to be storing the middle distillate globally.

Collapsing demand for jet fuel and other middle distillates including gasoil and diesel saw another newbuilding *Landbridge Wisdom*, chartered by BP two months ago, and used to ship diesel to West Africa, where it has been in floating storage for the past two months.

The VLCC has only just sailed from the region, for Mongstad, where it is believed to be loading its first crude cargo after transferring its cargo via ship-to-ship transfers to other vessels.

The difference in price between the front-month Brent crude contract and the May contract is $2.72 per barrel according to London's ICE Futures Exchange.

That price is marginally supportive for any contango trades in crude. But for low-sulphur gasoil, the difference is much wider at $44 per tonne, a number that suggests that such trades could be profitable, depending on the charter rate.

Such trades shielded major oil companies and traders from massive losses in early 2020 as they took positions to take advantage of oil price volatility.

OPINION

'Out of sight, out of mind' approach to crews has to end

THOUSANDS of lives have been lost and the global economy has been set back by many years. But there is another pandemic taking place behind the scenes — a hidden pandemic that has already caused pain and suffering to many, but which may still lead to a myriad of unintended but disastrous consequences, *writes Nusrat Ghani, the former UK shipping minister.*

The issue I am, of course, raising is that of the plight of seafarers the world over.

Without our seafarers and their skills, we would be in a vastly different situation to where we are now — facing empty supermarket shelves and shortages of essential goods.

And yet, still many of them — around 200,000, no less — are still stuck on board due to the lockdown and unable to be with their loved ones — and this has been the situation for months, sometimes years, on end. I first raised this issue many months ago, and despite much progress, a minority of countries are still holding our seafarers to ransom.

This is an issue that everyone must wake up to. About 80% of world goods are carried by ships. For Britain, around 95% of our imports and exports in goods are moved by sea, including 25% of the UK's energy supply and 48% of the country's food supplies.

Nor is seafaring just about the ships themselves. There is an entire industry of professional services around maritime trade.

The City of London, for example, is a global leader in this area, with its unparalleled expertise in law, arbitration, shipbroking, financial services and consultancy.

Indeed, the largest share of worldwide marine insurance premiums and shipbroking transactions occur in the UK, comprising 35% and 26% of the global market respectively, and these maritime services are embedded within the City's wider financial sector, where London also continues to be a premier hub.

Maritime is quite simply the facilitator of free trade and our market economy, the tool that powers the global engines of prosperity and growth. Yet more than 200,000 seafarers are currently stuck at sea, due to the failure of the global diplomatic community to make an agreement on crew changes in light of the travel restrictions imposed as a result of coronavirus.

Since March, many countries have refused to allow crew changes at ports or shore leave, forcing mariner contracts to be extended. Some seafarers have been on board their vessels for over 15 months. And while some are being paid for this extra time, they are doing their jobs without the breaks they are entitled to, often working 12 hours a day, seven days a week, putting their physical and mental health at risk.

Even in a landlocked constituency such as my own of Wealden, one local resident wrote in and told me that ships are now sailing the seas in "unseaworthy" conditions due to the "extreme mental and physical stress" of seafarers. He fears that these grave health and safety concerns are only going to become worse.

The situation is already dire. At Tilbury docks, 47 mainly Indian seafarers from the passenger vessel Astoria recently went on hunger strike, after weeks of pleas to their employer for back pay and repatriation produced no results.

Tragically, a number of suicides have been reported around the world, and suicide attempts onboard ships stranded offshore or in port are now the foremost cause of deaths among seafarers.

These are key workers. They are what keeps freight travelling around the world, and some of them have not had a day's break in months. We can only begin to imagine the horror of their plight, or how it must feel when many governments around the world simply turn a blind eye to their despair and exhaustion.

These men and women have been in this position for simply too long.

While many of us are struggling with the restrictions imposed by coronavirus, at least most of us still have a semblance of normality. Seafarers, however, have no such comfort. They do not go home every night to help with the homework and put the kids to bed — they are busy delivering all the goods that we depend on for our survival, most notably our food, medicines and fuel.

The 'out of sight, out of mind' attitude that many world leaders seem to have adopted, from China to India, will become slightly more difficult to maintain when our supply chains that bring food and medicine to our supermarket shelves begin to shut down.

The International Maritime Organization and the International Chamber of Shipping have done a tremendous job putting forward a 12-step plan for countries to implement safe crew changes.

But it has become increasingly apparent over recent weeks that there is a tragic lack of leadership and coordination on a global scale — and the countries who are not following the rules must be the focus of organisations such as the IMO. There are simply no room for excuses when it comes to a matter such as this.

The UK is the world's leading maritime nation and we are also home to the IMO, which gives us a unique responsibility in leading on this crisis. And progress can be made if we put our minds to it, and if 'Global Britain' takes a lead in drilling home a solution.

Not so long ago, in 2018, when I was minister for maritime, for example, with the IMO on our doorstep, we did deliver a historic emissions commitment. This is of even greater importance, people must always come first — so let's rise to an even greater challenge now and save global supply chains from crashing to a disastrous halt.

ANALYSIS

Crude and product floating storage could build this winter

FLOATING inventories of crude and oil products look set to build throughout this fall with oil prices seen staying soft but picking up towards the year-end.

At a webinar held ahead of APPEC 2020, Platts Analytics projected that month-on-month oil demand will remain flat in September compared with August, fuelling interest in contango trade with a winter surge expected to kick in from November.

That is expected to boost demand for tankers as floating storage.

Chris Midgley, who heads the analytics arm of pricing agency S&P Global Platts, pointed to some 15m barrels of crude from West Africa alone that have yet to find buyers, and are now heading into floating storage.

Vessel tracking data from Lloyd's List Intelligence confirmed this observation.

The 2012-built very large crude carrier *Kondor*, which loaded cargoes at Kaombo Sul and CLOV terminals in Angola in early August, is seen floating with no destination indicated at Malaysia's Sungai Linggi anchorage.

Cargo owners and traders would see incentives from low rates in the shipping market to snap up tankers for floating storage purposes.

Average rates for spot charters on VLCCs have come off multi-year highs earlier this year to a range between $19,409 and $24,112, as last assessed by shipbrokerage Braemar ACM on August 31.

LLI data showed easily over two dozen laden VLCCs now hovering around three anchorages commonly used for hosting floating storage units for crude and oil products off Sungai Linggi, Tanjung Pelepas and Kukup, Malaysia.

Bunker suppliers licensed to operate in Singapore contribute to the tanker count in this flotilla.

Sentek Marine, Equatorial Marine Fuels and the now insolvent Hin Leong Trading continue to hold inventories of either fuel oil blends, gasoil or distillates in such floating storage.

However, the coronavirus pandemic has forced refineries to run at below designed capacities. That has ramifications for the inventory levels and prices of bunker products.

Mr Midgley noted that the per-tonne spread or price differential between 3.5% fuel oil, or HSFO, and marine gasoil, MGO, has narrowed from $50 last year to $10 currently.

"Refineries are running at 75% utilisation, pumping out less fuel oil, but the market is awash with gasoil supplies," he said.

That has tipped the scale in favour of lower prices of gasoil supplied into the marine market vis-à-vis those of marine fuel oil.

The Platts Analytics global head warned of fuel oil supply tightening heading into winter, when gasoline demand is expected to fall.

Refiners will have to "maximise" production of gas oil and other distillates even if they do not increase runs, which will otherwise lift residual volumes or fuel oil output.

A low HSFO-MGO spread would not support investments in exhaust gas cleaning systems or scrubbers, which some shipowners have pursued as one pathway to comply with the International Maritime Organization's 0.5% limit on sulphur in marine fuels.

Former International Bunker Industry Association's regional manager Simon Neo suggested that vessels en route to Europe may well pick up more MGO from Singapore if the prices seen trending lower now and later this year are deemed "right".

Container industry wants limit on EU decarbonisation rules

EUROPE's decarbonisation regulations should be limited to domestic voyages or run the risk of spurring regional emissions taxation elsewhere, distorting product prices and derailing global decarbonisation progress, the world's leading liner lobby warns.

The World Shipping Council is calling on the European Union to reconsider its plans to include shipping in the bloc's cap and trade emissions system ahead of a vote in the European Parliament next week.

Lawmakers will vote on a proposal to not only include shipping in the EU Emissions Trading System beginning in 2022, but also to force ships to improve their carbon intensity by 40% by 2030, based on an as-yet undefined year.

It would mean around 11,500 ships would in effect have to pay a levy for their carbon emissions to use EU ports, based on 2019 EU data for the Monitoring Reporting and Verification regulation that ships must adhere to.

Both the European Commission and the Parliament are committed to bringing international shipping under the ETS, a move long opposed by the shipping industry and the International Maritime Organization.

If the Parliament agrees on this legislation next week, negotiations with the Commission and the Council of the EU, representing EU governments, will follow, to generate a finalised legal text.

The World Shipping Council, the Washington DC-based group whose members represent 90% of international containerised trade and the majority of ro-ro trade, wants the EU to apply the ETS and the operational efficiency measures to intra-EU voyages only, noting that most of the voyages the proposed regulation currently covers happen outside EU waters.

It estimates that with a €25 ($29.60) tax on each tonne of carbon and based on the commission's 2018 data on vessel voyages, the EU would generate €3.45bn from vessel port calls.

"Given the sizeable revenue generated and the fact that these revenues are generated as ships sail far from the EU, the application of emission pricing to extraterritorial voyages is likely to create significant trade tensions and raise legal and diplomatic concerns about the geographic reach of unilaterally imposed emission charges and operational regulations," the council said in its paper.

It estimates a ship sailing from Shanghai to Rotterdam would have to pay €501,350 under this carbon tax for a single round voyage, while operating in EU waters for only 14% of the time.

"The MRV regulations and those applicable in an EU ETS or in 'EU operational efficiency standards,' if applied to extraterritorial voyages, would be quasi-global in their reach and would impose emission charges on voyages that extend thousands of miles across the globe and within the jurisdiction of multiple states that are far removed from the EU," it said.

Proponents of the operational efficiency measure and the ETS inclusion have maintained that these rules are the price of using EU ports and contributing to the battle against climate change.

Though they accounted for just over 15% of the total number of emitting ships, containerships were single biggest shipping polluters in 2019 in the EU, emitting 41.9m tonnes of CO_2, representing 31.4% of the total, according to MRV data published in July.

The council further claims that if the EU were to proceed with a holistic ETS, other regions could soon implement their own similar measures, echoing a concern long-held by an industry that wants to avoid dealing with multiple regulations and wants single global regulation through the IMO — where its influence is also the greatest.

"Under such a scenario, overlapping voyage segments could be subject to double charges or require bilateral or multilateral agreements with a multitude of states across the world," it said.

This would not only inflate shipping costs globally, but also hamper the potential for a global decarbonisation measure, the group contended.

This point mirrors fears raised by the IMO and its leadership, which has repeatedly urged governments to refrain from unilateral rules on carbon emissions to prevent the risk that has for a global agreement.

Supporters of the EU ETS have suggested that EU regulations could act as a template for the IMO, which has not yet begun the difficult discussion on a global market-based measure for international shipping.

The World Shipping Council says that with the EU and the potential for other jurisdictions to impose their own emissions regulations, it is unlikely that these domestic policies will be scrapped in the future because of the revenue they offer governments and the effort they put in to make them in the first place.

Even if a global measure does come about in the IMO following the regional ones, the sheer volume of carbon levies would mean that the total annual costs to shipping would reach tens of billions of euros, it said.

With a €25 carbon tax on 250 tonnes of fuel consumed by international shipping annually, costs would rise by another €19.5bn each year, it estimated.

An EU ETS would also have an impact on the price of goods arriving to non-EU countries, as ships may call at EU ports for transhipment purposes but products on them may be destined for third countries, including less-developed countries.

"A charge would be levied first on the cargo as it sails into an EU port and then again as the same cargo leaves the EU on another vessel to its ultimate destination," said the council.

MARKETS

US containerised imports continue to surge

US containerised imports have surged to unexpectedly high levels this summer and may have hit a new record as the country's economy continues to reopen and retailers stock up for the holiday season, according to the National Retail Federation and Hackett Associates.

Their findings confirm a recent Lloyd's List survey of nine leading US ports, which showed a collective 19.5% uptick in containerised imports for July, suggesting that improved conditions may be on the way.

Despite the apparent improvement in imports, however, NRF vice-president for supply chain and customs policy Jonathan Gold said it was important to remain "careful" how much to read into these numbers "after all we have seen this year".

Still, he noted that retailers "are importing far more merchandise for the holidays than we expected even a month ago" and that "this is the clearest sign yet that we could be in for a much happier holiday season than many had thought".

Hackett Associates founder Ben Hackett noted that the previous "yo-yo pattern of import levels" reached a peak in July that appears to have extended into August.

Still, Mr Hackett likewise urged caution against too much optimism, saying that data from around the globe is "a mix, with a weak recovery as Europe struggles with rising coronavirus numbers but China's exports remain solid. Will this last? A lot of uncertainty is in play".

The NRF and Hackett Associates jointly publish the monthly Global Port Tracker, which shows that 13 key US ports handled 1.92m teu in July. That was down 2.3% year over year but up 19.3% from June and significantly higher than the 1.76m teu forecast a month ago.

The GPT surveys the ports of Los Angeles, Long Beach, Oakland, Seattle, Tacoma, New York-New Jersey, Virginia, Charleston, Savannah, Everglades, Miami, Jacksonville, and Houston.

GPT forecasts August volumes at 2.06m teu, a 6% year-over-year increase, and potentially an all-time high, beating the previous record of 2.04m teu set in October 2018.

September is forecast at 1.89m teu, up 1.1% year over year; October at 1.71m teu, down 9.2%; November at 1.58m teu, down 6.8%, and December at 1.53m teu, down 11%.

The NRF said these forecast numbers would bring 2020 to a total of 20.1m teu, a drop of 6.7m teu from the past year, still the lowest annual total since 19.1m teu in 2016. The first half of 2020 totalled 9.5m teu, down 10.6% from last year.

The forecast numbers call for 7.58m teu during the July-October "peak season" when retailers rush to bring in merchandise for the winter holidays, making 2020 the third-busiest peak season on record following 7.7m teu in 2018 and 7.66m teu last year.

January 2021 is forecast at 1.6m teu, down 12% from January 2020.

The GPT survey accords with the findings of an earlier survey conducted by Lloyd's List of nine leading US ports, which showed a month-on-month increase of 19.5% in containerised imports for July, rising to 1.83m teu over 1.53m teu for June.

The nine ports include New York-New Jersey, Virginia, Charleston, Savannah, Houston, Los Angeles, Long Beach, Oakland and the Northwest Seaport Alliance of Seattle and Tacoma. All are among the Lloyd's List Top 100 Ports.

Their collective increase in throughput for July is a positive sign, positioning the nine ports at a throughput level just 1.7% lower year on year from July 2019 in terms of imports, while exports are well down at -9.1%.

The port of Long Beach emerged as the national leader in terms of percentages, showing a 25.3% increase of loaded imports in July over June, going to 376,807 teu from 300,714 teu.

Long Beach stood completely alone among the nine ports, with a positive percentage in terms of a year-on-year increase in loaded imports, rising by 20.3% to 376,807 teu in July 2020 from 313,350 teu in July 2019.

Despite the evident improvement in his port's July performance, however, Long Beach executive director Mario Cordero urged caution, telling Lloyd's List that "uncertainty remains in this industry and of course the global community".

Marine seeing increased premiums across most classes

MARINE insurance will probably have proved profitable across most main classes when 2019 statistics are released at the online International Union of Marine Insurance conference next week, the head of marine and cargo at Marsh JLT specialty has predicted.

The coronavirus backdrop and a spate of recent major casualties may well show up when the figures for 2020 are presented next year, he added, but these are not anything that the sector cannot take in its stride.

Marcus Baker has not usually attended previous IUMI conferences, which are traditionally dominated by underwriters rather than brokers.

However, he intends to watch most of the Zoom sessions over the next two weeks, along with a number of colleagues, now that the event has adopted a virtual format on account of coronavirus.

"I never used to go just to be in the same spot as underwriters when I can see them anywhere in the world," he said. "But what they have done this year in allowing access to everybody else is debunking some myths. Having that open and transparent process is great. It is a really progressive thing they are doing, and I am all for it."

Mr Baker paid tribute to the facts and figures material for the prior year unveiled at the annual gathering, and Marsh JLT intends to produce analysis based on the findings.

"We should see an increase in premium volume in every sector, because the market started to move in 2019. That will be a positive signal, and may well influence profitability, although that's too early to tell."

P&I may prove the exception to the rule, but both H&M and cargo should be up.

Recent months have seen some major casualties, including *Höegh Xiamen*, *Wakashio* and *New Diamond*, which are likely to put a dent in 2020, but are not in themselves unmanageable.

In general, marine lines have weathered coronavirus better than classes such as business interruption.

"A small number of instances and claims notifications have come through, but it is hard to see how you get damage on a ship caused by coronavirus. In cargo, you may see some issues over delays in delivery, but fundamentally it has not been as big an issue as it has in event cancellation and some property lines."

The marine sector does want to continue coverage, albeit with the terms spelled out for the sake of clarity. The bigger impact has been physical, and the market has shown itself resilient in continuing to operate.

"Trade is still taking place. People have had their insurance policies renewed. The paperwork has gone out, debiting has been done and claims are still being collected. What an incredible thing to have to go through to realise we could do all this."

From the broking perspective, the biggest change is loss of face-to-face contact, which can now be partially resumed as restrictions ease.

"Human interaction is what we miss. It is what we have been brought up on, it is what has made us successful. To be able to do that again has been life affirming."

Mr Baker was speaking via Zoom from his office, and discounted the much-talked-about prospect of 'the death of the office'. Marsh JLT staff are returning to their desks in a cautious fashion, with ample provision of company-branded masks, wipes and hand gel.

"With my background as a broker, and I think my personality, I like to have the human interaction. But we are doing this in a proper and safe way, which should make people feel comfortable."

IN OTHER NEWS

Court rules seafarers can perform dockers' task

SEAFARERS on shortsea and feeder vessels can undertake lashing even if collective bargaining agreements stipulate that the work should be done by dockers.

The Rotterdam Court ruling effectively overturns the so-called Non-Seafarers' Work Clause in a deal between the International Transport Workers' Federation and maritime employers, commonly known simply as 'the Dockers' Clause'.

According to the decision, the clause — which covers 15,000 vessels — is "onerous" in the current coronavirus pandemic, and the need for the crew to work in a safe and healthy environment outweighs the claimants' interest.

Japan calls off search for crew of Gulf Livestock 1

JAPAN's coast guard has called off the search for survivors of cattle ship *Gulf Livestock 1*, which is believed to have gone underwater in a typhoon.

The Philippines' Department of Foreign Affairs said the Japan Coast Guard would transition from full-time search operations to usual patrols, having found no trace of the ship since September 5. "The DFA joins the families and loved ones in continued prayers for the missing seafarers," it said.

The Panama-flagged, 8,372 dwt *Gulf Livestock 1* (IMO: 9262883) was hit by a huge wave and capsized off Japan's coast after losing an engine, according to one of three Filipinos picked up by the coast guard. One of those seafarers died after rescue.

Europe set to agree new decarbonisation regulations

EUROPEAN regulation on shipping emissions will edge one step closer next week, as the European Parliament is expected to support the introduction of new rules that will affect all large ships calling at EU ports.

Jutta Paulus, Greens Member of the European Parliament and maritime decarbonisation rapporteur, said she was "very confident" that her proposed legislation to amend and impose energy efficiency targets will be blessed by the Parliament's plenary in Brussels next week.

Earlier this summer, the Parliament's environmental committee agreed to a set of compromise amendments to Ms Paulus' original text.

Jiangnan Shipyard wins VLEC pair from Zhejiang Satellite

CHINA'S Tianjin Southwest Maritime has placed orders for a pair of very large ethane carriers worth about $220m with compatriot builder Jiangnan Shipyard.

The dual-fuel 99,000 cu m pair are part of the six-vessel newbuilding project initiated by Chinese crylic acid producer Zhejiang Satellite Petrochemical earlier this year.

They will be used to import US ethane for the phase two project of a cracking facility in Lianyungang, a city in China's Jiangsu province.

Pool claims push Skuld to first-half loss

SKULD has recorded a loss of $14.3m for the first six months of the policy year, compared with a gain of $2m in the year-earlier period.

The half-year technical result yielded a loss of $25.5m, pushing the combined ratio up to 115%, from 112% for the same period in 2019/20.

The P&I club blamed a $37m hit from pool claims for much of the deficit, even though its own claims were low, and none were of sufficient magnitude to reach the pool.

Classified notices