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Owners 'going ballistic' in hardest P&I renewal round for years, warns Aon

SHIPOWNERS ARE SEEING the hardest P&I market for years in the current renewal round, with clubs clearly determined to make double-digit percentage point rate hikes stick, a major broker has warned.

The attitude adopted by International Group affiliates is markedly tougher than that seen in 2019-20, when underwriters were ostensibly pushing for around 7.5% but in practice willing to settle for less than half of that, said David Mahoney of Aon.

His comments follow a spate of warnings from P&I club chief executives, with American Club's Joe Hughes describing higher pricing as an 'inescapable imperative' and Stale Hansen of Skuld predicting a new cycle of rate hardening.

While no big names are known to have switched clubs at this stage, Mr Mahoney expects negotiations to go to the wire, and he predicts that some owners will split fleets for insurance purposes in the week leading up to the annual 20 February deadline.

The situation has evolved against a backdrop of the coronavirus pandemic, volatile investment returns and increasing strains on the IG pool, which hit an all-time high at the halfway mark.

As a result of such factors, the spectrum of 2020-21 P&I rate hikes runs from 5% at Shipowners, Steamship and the American Club to 7.5% at West and 10% at Standard, London, the UK Club, Japan Club, Swedish Club and North.

Two clubs have said they will seek additional premiums via ship-by-ship pricing, with Gard aiming between 2.5%-5%. Britannia is seeking high single digits in terms of percentage points.

In addition, International Group general excess of loss pricing is also up, with increases of up to 7% in the case of boxships.

To cap everything, other insurances classes – such as hull and machinery and cargo in the marine space and general corporate cover such as directors' and officers' liability, known as 'D&O' – are also rocketing, making a very expensive year in prospect for shipping industry insurance buyers.

Mr Mahoney, Aon's executive director of commercial risk solutions, stressed that brokers are well aware their job is shave prices for clients as far as possible, and will use every possible argument to attain that end.

But that is counterbalanced by an awareness that mutuals have to break even, at least over time, and the last resort imposition of unbudgeted supplementary calls is in nobody's interest.

Pressure has also been coming from ratings agencies, not least Standard & Poor's, which has over the last year put four A-rated clubs on negative outlook.

"That was a tap on the shoulder. Nobody wants to lose their A rating. It doesn't look good when you're presenting, it also brings issues with regulatory bodies, and some companies will only insure with an A-rated carrier," he said.

The demand for major increases has sent shockwaves through the shipping industry, but it should not come as a surprise that clubs are looking for the current level of general increases.

"Are they justified? We fight the owners' corner, but you can't ignore facts. So far clubs are holding a firm line. My guess is that they will get somewhere near what they want. They probably won't get it all."

Each account is treated differently, and clubs will naturally want to hang on to the jewels in their crown.

But he described clubs as sometimes their own worst enemy in their constant appetite for new business, which means that they will discount new tonnage and free business.

"That's like joining a golf club and Johnny Come Lately is paying half the subscription you're paying. And you're thinking, `Hold on, I've been paying subs here for the past decade'.

"In the old days, when you had regular general increases, that looked after itself. Business would come in at low rates and that was made up with compounded general increases over three or four years and be where it needed to be."

But the reluctance to impose GIs in recent years has ultimately meant eating into retain income, and higher pricing is now the obvious alternative.

"We don't go out there and say, the clubs need more money. That's the last thing we do. But equally, you've got to manage your clients' expectations. There are some who are going ballistic. What you've got to say is, in the worst scenario the clubs might ask for 7.5%-10%, be prepared, this may happen. Like all things in life, it's just about getting the balance right."

While slack is still cut for owners who can plausibly maintain that they simply been unlucky, those with consistently poor loss records can expect to pay double the increase faced by better performers.

"Clubs realise not every owner has a sublime loss record and sometimes they take it on the chin. But you can't ignore somebody who is taking money out, and they will ask for the contribution," said Mr Mahoney.

Another aspect of the renewal round has been the late start, with many quotes not even going out until towards the end of last month. As a result, negotiations are only now warming up.

Mr Mahoney said he is not aware of any sizeable fleets changing hands, although he expects there will be some ahead of the deadline. Other owners may split fleets between clubs to secure best pricing.

His overall impressions are seconded in a recent briefing from rival broker Gallagher, which reports that while some early renewals had been concluded uncontroversially as of the time of writing, around 80% of International Group had still to be signed off.

Wayne Godfrey, divisional director of Gallagher Marine P&I, confirmed that some clubs have so far been prepared to lose a proportion of their entry to achieve their budget. However, others have deviated from this mandate, especially where owners insist that they are prepared to move.

"In the past, the threat of an owner leaving meant the clubs normally backed down but with the increasing S&P influence and budgetary pressures all Clubs are under, we would expect there to be more tonnage moving this renewal," he concluded.

WHAT TO WATCH

Shipowners make their play to define EU emissions rules

EUROPEAN shipowners' positioning on European Union emissions regulations last week was the culmination of months of debate and the start of what is likely to be a strong lobbying offensive from the different sectors of the industry.

For the first time the European Community Shipowners' Associations laid out its conditions for how an EU market-based measure for shipping emissions should work.

Maintaining the standard industry line that a global solution through the International Maritime Organization is the optimal path and that a regional measure could lead to several problems, the association publicly inserted itself into the conversation over the shape, form and scope of a market-based measure for shipping.

Its intervention came as the European Commission concludes its public consultation on a proposal to include shipping in the EU's Emissions Trading System, the bloc's carbon cap and trade market.

With months of feedback, targeted and public consultations, the commission's regulatory proposal will be published in June.

If it ends up covering all voyages to and from European Economic Area ports it would affect around 12,000 vessels, based on today's figures, regardless of their flag or ownership.

Though it has been lobbying the commission behind the scenes, Ecsa's public outing even earned it a very rare plaudit from Transport and Environment, an influential Brussels-based non-governmental organisation that has traditionally been a vocal critic of industry's environmental policy proposals.

"I see quite a lot of convergence between Ecsa's position and the position of T&E as a representative of civil society," T&E shipping director Faig Abbasov said during a panel discussion last week. "So I'm very glad to see this conversation happening and looking forward to further corporations."

People familiar with the decision-making said Ecsa's choice to come out with a public stance reflected a shift in philosophy from both its leadership and from key member national associations, who until recently regarded engagement with this matter as an enabling act rather than a chance to have their interests represented.

The association's position was months in the making, resulting from multiple meetings spanning up to five hours each in which all the different national associations hashed out a common EU position, one person familiar with the talks said.

Its compromise positions reflect the makeup of its membership; tramp, shortsea and liner shipowners all vying for their voices to be heard and their business model to be respected.

Ecsa asked the commission for a limited scope of the new rules, but did not go as far as demanding only intra-EEA voyages, which the liner industry has advocated for. That would have been particularly onerous for the shortsea shipping sector.

The commission has not decided on this and its ongoing public consultation shows that it is considering four options; the carbon market could cover either just intra-EEA voyages ETS, all voyages to and from EEA ports, all inbound or all outbound voyages, or 50% of the total of both inbound and outbound voyages.

Ecsa also asked for a phase-in period of the new rules, but not explicitly for the provision free emissions allowances under the ETS, which the liner shipping industry wants. A phase-in could be interpreted as implying free allowances, but Ecsa's ambiguity was deliberate, so that it could apply even to a regime where shipping pays into a fund rather than trades allowances.

Fundamental disputes

The commission has broadly committed to eradicating free allowances from sectors where they are still available, including aviation. But sources engaged in the process could not confidently say if the final proposal will offer a phase-in period, free allowances or something similar.

Yet there are fundamental disputes for which reconciliation within Ecsa was not possible and individual lobbying from national associations will be pivotal.

One of the most important elements of the new rules will be who has to pays for them; the shipowners or the commercial operator. Greek owners who deal in tramp shipping have been blunt that charterers have to foot the bill.

On the other hand, the liner shipping industry has broadly opposed efforts to put the onus on the charterer.

Here again, the commission's position is unclear. It has posed the question of who should pay explicitly in its public consultation so the answers it receives could help swing the pendulum.

The scope and targets of the upcoming regulations will be crucial. But just as important will be the organisational structure of the new measure.

In its position, Ecsa carefully stepped away from acknowledging an emissions trading scheme for shipping and instead referred to a market-based measure, which implies that a different measure could be used.

This tactic speaks to the deeply rooted belief, especially among tramp shipping stakeholders, that the carbon market as a system in which companies buy and sell allowances is highly inappropriate and very much impractical for an industry that has thousands of small-scale members without the resources to participate in this market.

Ecsa and T&E both believe the commission should create a new fund for shipping in which the polluting ships could pay their respective share for carbon dioxide emissions.

The idea behind that is that rather than forcing shipping to trade emissions allowances like land sectors do, companies pay directly into a fund based on a fixed price of CO_2 per tonne, which will be known to them at the start of the year.

One concept that is being floated is for the fund's price to equate to the average carbon dioxide price during the previous calendar year.

Mr Abbasov said such a mechanism would offer predictability to the sector. Shipowning industry sources echoed the sentiment in private conversations.

Aside from ensuring that some of the money paid into the fund goes back into the shipping industry though R&D projects and financing for zero-emissions fuels in ships, the fund is meant to help the backbone of the industry, small and medium-sized owners, by ridding them of the administrative burden of trading allowances.

For some, however, an emissions trading scheme with free allowances would be more preferable to a fund; major shipowners, regardless of the sector, with a sufficient structure to handle carbon allowance trades could benefit from a system that enables them to sell allowances they do not use and therefore even make a profit.

Some in the industry would like to see this fund structure be mandatory, while others would accept it only if it was optional; a company should be able to select if it wants to pay into the fund or trade under the scheme.

Greek shipowners are particularly concerned about the development of a two-tier market, if a fair financial balance between the two systems is not struck, and those companies able to trade within the emissions trading scheme secure a competitive advantage against smaller peers within the sector.

The commission has suggested it is receptive to the idea of a fund and according to one source has been privately very positive towards it.

Other sources familiar with the commission's workings and the proposal say it is too early to tell if it will make the final cut in some form and other considerations, like the prospect of other industries demanding their own funds, could complicate the process.

The discrepancies among the different sectors remain. Liner, tramp and shortsea shipping needed a common starting position to give the industry a united front backed by the lowest common denominators.

Ecsa's "conditions" for an EU market-based measure have served that purpose. Individual interests, sectoral preferences and sheer lobbying efforts will take over the process from here on until June.

Trafigura suspends terminal operations in Myanmar

TRAFIGURA, a global commodities trader, said it has temporarily suspended its Puma Energy terminal operations in Myanmar as a safety precaution following the military coup in the country.

"We are aware of the developments in Myanmar and are monitoring the situation carefully," the company said. "Our overwhelming priority at Puma Energy is the safety and security of our colleagues during this period of uncertainty.

"There have been no incidents at our locations, however, we have temporarily suspended our operations to transport oil products."

It added that most of its employees and contractors were working from home and on standby because of the coronavirus pandemic.

Puma Energy, in which Trafigura has a stake, built the terminal near Yangon in 2017 at a cost of $92m with local partner Asia Sun.

The Puma Energy Asia Sun terminal in the Thilawa area is one of several that supplies fuels, including jet fuel.

According to an oil trader based in Asia, some banks are no longer accepting letters of credit from buyers supporting oil imports into Myanmar following the coup.

However, PetroChina, which is a major supplier to its neighbour, may still continue to export to the country.

The coup and the ensuing credit risk may stop discharge of cargoes originally destined for Myanmar, according to the trader.

Lloyd's List Intelligence shows that three product tankers are destined for the Yangon port in the coming days.

Kirana Sapta (IMO: 9711690) and *Orca Pacific* (IMO: 9808479) are both due to arrive at Yangon on February 3, while *Glory Star* (IMO: 9463528) is due on February 5, the vessel-tracking data shows.

The Yangon port handles about 90% of the country's total imports and exports, including general cargo and grains.

Volumes on Myanmar-China crude pipeline fall 12%

MORE than 70m barrels of crude was tracked for discharge at the port of Kyaukpyu, Myanmar last year, from where it is sent by pipeline from the Bay of Bengal port to inland China.

The volumes equate to some 193,000 barrels per day on 37 tankers, preliminary data from Lloyd's List Intelligence shows.

That accounts for around 1.9% of China's total seaborne imports.

In 2019, some 80.5m barrels, equivalent to 220,600 bpd, was delivered to the pipeline, compared with 74.8m barrels the previous year.

Scrutiny of Myanmar's contribution to seaborne energy commodity flows has intensified in past days, after a military coup displaced elected leaders.

Gas and crude pipelines link Myanmar to China, which has also invested significantly in the country's oil and gas sector.

The crude pipeline to China from the Myanmar port opened nearly four years ago, and stretches 1,500 km. The subcontinental route provides China with an alternative to shipping via the Strait of Malacca.

Analysis shows that between one and four very large crude carriers call at the port each month to deliver the cargo.

There is also a storage terminal at the port owned by China's China National Petroleum Corp. CNPC puts the pipeline capacity at just under 400,000 bpd.

Saudi Arabia was the biggest supplier of crude to the pipeline in 2020, delivering 30.9m barrels on 12 very large crude carriers, data shows.

Kuwait is the second-largest supplier, followed by the United Arab Emirates and Oman.

ANALYSIS:

Lockdowns force shipping surveys online

JUST as the world's office workers have spent the year getting to grips with working remotely, so too have maritime surveyors. What they have found in the process gives a glimpse of what the digitalisation of shipping may look like.

DNV GL, which started remote surveys for some simpler jobs in 2018, has gone from performing about 35 per day before the pandemic to about 60 now.

Lloyd's Register says at least one-third of its jobs are now done remotely, up from 15%–20% of the roughly 30,000 jobs a day it handles around the world. The advent of live-streaming video has made more complicated jobs possible remotely.

Bureau Veritas had opened eight remote service centres by June last year and estimates it has performed 3,000 remote surveys "fully online" using live streaming.

ABS says demand has surged, and not only because of the pandemic.

"This was always destined to become a routine operation and we are well past the tipping point of market acceptance," says John McDonald, its senior vice-president for global business development.

Remote surveys have helped inspectors get around coronavirus travel curbs. They also cut down on travel costs and carbon emissions and can make survey timing more flexible.

Live-streaming lets the surveyor direct the camera to check anything they are unsure of — a big improvement on using recorded videos supplied by the crew. Image quality by drone has impressed surveyors wary of relying on two senses instead of their usual six.

However, there are drawbacks.

"Our whole regulatory model is built around physically attending," says James Forsdyke, head of product management at Lloyd's Register.

Since the International Maritime Organization's rules assume someone is there in person, remote processes must try to emulate this — a process he says is self-limiting.

"You can live stream to as high a quality as you can… but at best, you're always going to be almost as time-efficient as when the surveyor is on board," Mr Forsdyke says.

Connectivity can be a problem. Some vessels lack enough computers, cameras, or local SIM cards with a 4G signal. Others have had to get creative with portable routers.

"What you see is what the person holding the camera is showing you," adds Stener Stenersen, head of DNV GL's technical support department.

"You don't have this peripheral vision."

Planning and performing remote surveys also takes crew members away from their other jobs, he adds.

Mr Forsdyke says a normal annual survey on an average cargoship would take two people about 12 hours.

"To do that remotely, you need at least a day of preparation, and you need probably two to three days of multiple live-streaming interventions," he says.

This only makes business sense if a survey cannot be done in person or postponed. Costs may fall over time, but after the coronanvirus, these will probably return to normal.

Class societies have been cautious towards remote surveys and none are seeking to do away with in-person surveys soon, especially annual surveys. They say remote surveys are best saved for irregular or minor checks, though the range of remote jobs will keep growing.

Writing in Lloyd's List, DNV GL maritime chief executive Knut Orbeck-Nilssen said: "Where the percentages eventually settle is less important than achieving the optimal application of both methods, ensuring both thoroughness and efficiency."

Yet there is still an opportunity to harvest the data gathered in the process to help build more digital tools, such as real-time monitoring and optimisation software.

Mr Forsdyke says surveyors could save hours spent reviewing paperwork with the captain by having artificial intelligence verify uploaded documents, the way banks have automated mortgage applications.

Having a verified “digital twin” of the ship could one day reduce the need for some physical checks. A customer could have on-demand confirmation of a ship’s material state, instead of relying on the certificate from its last inspection and hoping nothing has gone wrong since.

Such an ability would be “transformative”, Mr Forsdyke says.

Mr Stenersen says there is potential to use video feeds to train AI to spot cracks or other problems. He says the systems needed to collect and process all this new data are not there yet, but the future looks promising.

Laurent Hentges, marine and offshore vice-president for operational excellence at Bureau Veritas, says BV is working on AI tools for tasks like spotting corrosion.

Mr McDonald, at ABS, hopes technology will free surveyors and crew alike to focus on the important safety work while the machines crunch data.

“By augmenting the process in this way, we can safely transition to the world we know is coming,” he says.

Such a world may see more remote operations and inspection processes, “but we will still need intelligent, experienced humans to interpret them”.

It is uncertain how many remote processes will outlast the pandemic. Shipowners are reluctant to commit to shiny new technologies without a compelling business reason to do so.

Mr Forsdyke says the challenge for class societies will be in adapting business models to make the best use of technology.

“There are so many opportunities to change. But any change we make has to be for a reason that moves us forward and is not just a show and tell of what technology can do.”

However, he is “incredibly grateful” that shipping had the technology in time for the virus.

“If this pandemic had hit us five years earlier, the impact on shipping would have been much worse,” he says.

Mr Stenersen says shipping will not return to pre-Covid-19 times: “The change has come; customers are used to working remotely with us.”

Remote working: Shipping feels the absence of direct contact

WINNING new business. Negotiating freight rates. Recruiting staff. Checking out port facilities. Inspecting ships.

These are just a few of the activities that would have been considered routine prior to the pandemic, but are now very much more challenging as homeworking and restricted travel become the norm across the maritime industry. This will almost certainly permanently change the way business is conducted in future.

In some respects, the shipping industry appears to have fared well, despite widespread lockdowns, with container lines in particular experiencing an extraordinary boom in late 2020 and early 2021 as government-imposed restrictions shifted spending patterns away from leisure activities to electronic goods, home improvements, domestic appliances and suchlike.

Flexibility has been the order of the day, as ro-ro specialist Grimaldi Group joint managing director Emanuele Grimaldi notes, with most employees working remotely over the past year.

However, this did not disrupt any of the group’s activities, and had “no negative effect” on productivity, he told Lloyd’s List.

“On the contrary, our staff organisation reacted and adapted quickly to the new unprecedented situation,” with the IT department rapidly setting up remote access for staff.

That reflects the experience of many businesses. For the most part, technology has functioned well, with shipping company employees generally well equipped to work away from the office.

At CMA CGM, for example, the company’s already high degree of digitalisation enabled it to seamlessly set up homeworking for teams around the world within 48 hours.

Ironically, computer hacks that hit a number of prominent ocean carriers in recent years, including Maersk, were a wake-up call for the whole industry about the need for watertight IT systems and robust business continuity arrangements.

That was certainly the case for Maersk Tankers, which was caught up in the cyber attack on the Danish group and had responded by drawing up contingency plans to ensure the company could continue to function in the event of some unforeseen disruption.

So when the pandemic forced offices to close, the tanker operator was well prepared, according to the head of human resources Prakash Thangachan.

Likewise, container shipping heavyweight Mediterranean Shipping Co says its pre-existing audited business continuity plans and disaster recovery plans across the organisation, including the deployment of remote working and shared service centres, were quickly implemented.

"Our response to Covid-19 has benefited from a combination of these pre-existing plans and our reactivity to this unexpected pandemic," the company says.

Transatlantic specialist Independent Container Line was able to take advantage of the slump in volumes during the early weeks of the pandemic to equip all of its staff in Europe and the US with the technology and training to work remotely. That placed the carrier in a good position to cope with the subsequent cargo surge.

Nevertheless, the absence of regular face-to-face meetings between colleagues, and with customers, suppliers and other business associates, has thrown up many complications — some obvious ones and others less so.

Top management is acutely aware of the need to look after the well-being of staff, with many organising regular virtual social events, such as Friday night cocktails, quizzes or even an online orchestra. There are also more frequent video presentations from leadership teams to employees.

CMA CGM chief executive Rodolphe Saadé now addresses all staff on a weekly basis, either through video messages or newsletters to update the workforce on both the Covid situation and group activities.

Among numerous initiatives, the French group's CMA CGM Academy has provided all employees with e-learning courses and tips about homeworking.

The company also distributed masks in all of its offices, reorganised premises to accommodate social distancing measures and made Covid-19 testing available, including for seafarers to facilitate crew changes.

Other companies have also stepped up internal communication. At Maersk Tankers, the 450-strong workforce "could see what was happening in other industries, so it was important for us to reassure them that things were going OK", says Mr Thangachan.

"So when our offices shut down, we increased the cadence of our town hall meetings from monthly or quarterly, to twice a week," with the entire leadership team contributing.

Nevertheless, he acknowledges that some staff have found it harder than others to adapt to the new way of working, particularly those with young families in small apartments, or people living on their own

"It is my impression that most companies, including Wrist Group, realised a bit late that some staff had challenges working remotely," says Jens Holger Nielsen, chief executive of the world's largest supplier of provisions and stores for those working at sea.

This was not so much a technology issue as the need for physical contact, camaraderie and to feel part of those informal networks that exist within offices.

One feature of the pandemic has been the reluctance of shippers in the container sector to put business out for tender, according to ICL chief executive John Kirkland, instead choosing to remain with a familiar carrier who understands their requirements.

That trend has been noted by others as well.

In such an uncertain environment, "customers preferred to stay with their reliable suppliers — and this has become a big positive for us," says Andrew Abbott, chief executive of Atlantic Container Line which operates multipurpose ships in the transatlantic trades.

Yet the downside of customer loyalty has been the difficulty of attracting new business, especially when sales and marketing has to be conducted by video conferencing, email or phone, rather than face-to-face meetings that, in the past, have been so important in certain sectors of the shipping industry.

"It has become much more difficult to break into new business," says Mr Abbott.

Mr Kirkland agrees that it is now far harder to reach new customers and to understand fully their supply chain needs when they are probably working from home.

Just as challenging is the preference of some shippers and forwarders to negotiate freight rates and other contract terms by email rather than phone, perhaps reflecting the fact many people are no longer able to conduct commercially sensitive calls in the relative privacy of an office, and instead may be at the kitchen table in a shared apartment.

Without the face-to-face meetings to discuss service agreements, there is concern in some quarters that container shipping will become more commoditised, despite efforts to move away from a purely price-driven business.

Nevertheless, Mr Abbott believes that customer communications have increased, now that less time is spent travelling — and more on phone calls and video conferencing.

"This means people are more reachable for more hours of the day," he maintains.

However, no amount of technology can compensate for the usual due diligence during a personal visit when, for example, considering a new port of call.

"You can look at Google Earth all you want," says Mr Kirkland, but that is no substitute for a close-up inspection of a terminal's set-up, cranes and other equipment, which is extremely difficult with current travel restrictions.

Much the same goes for chartering a new ship without a physical survey, however sophisticated drones may have become.

Fleet maintenance is also an issue. Grimaldi's solution has been to relocate a technical team to Antwerp, where its ships call on a daily basis, to reduce travel from the group's Naples headquarters.

Recruiting staff is another challenge, but one that can be overcome. Maersk Tankers says it has hired 75 new employees during the past year, with candidates sent laptops and interviews conducted virtually.

In future, "we will not be constrained by having to be physically present in the office", Mr Thangachan predicts.

Opinion is divided as to whether the pandemic has accelerated the introduction of digitalisation in an industry that is well behind many others.

Mr Grimaldi thinks it has, noting that "it is evident that we are heading towards a paperless business model".

Mr Neilsen concurs, with Wrist intending to focus on more internal efficiencies through digitalisation and automation, while also seeing a greater willingness of customers to move ahead with digitalised processes.

Major trades are already highly digitalised, but many others still require paper documentation, which makes homeworking much more difficult. Those problems may be compounded by slow broadband speeds.

It remains to be seen whether the pandemic will hasten the move towards electronic bills of lading and letters of credit in smaller, less sophisticated shipping markets.

In such difficult times, however, many companies may be more concerned about managing their existing business models than introducing new systems, with modernisation "pushed to the back burner for now", according to one top executive.

Yet whatever the future brings, one thing is clear. There will be no going back to the old ways when the Covid-19 crisis finally subsides.

Education will ignite digitalisation, not compulsion

SHIPPING'S digital journey must involve a degree of education — both from shipowners and operators and from technology businesses — believes Sean Fernback, president of Wärtsilä Marine Voyage. The reason is clear.

On a number of occasions during the first few months in his position, he heard it said that technology companies were "trying to ram 'digital' as a product or a methodology down the throats of our customers when they don't understand it", he tells Lloyd's List.

He believes tech companies such as Wärtsilä should help the industry to understand what problems they have that can be resolved using digital solutions. For issues involving fleet optimisation, vessel operations, or data analytics, it is the best way forward.

Mr Fernback suggests the widely-used expression "digital transformation of marine" misses the point.

The focus should be less on how shipping can be transformed through digitalisation, and more on how digital tech can enable technology businesses to work alongside shipping to tackle practical problems.

"Some of our bigger customers in the cruise and container sectors are progressive in their thinking. They have brought together the digital skills they think they need," he says.

However, not enough companies have progressed that far.

Other companies have taken a different approach. They acknowledge the need to do something in digital and have hired a really good digital guy.

"It's an odd way to look at it," Mr Fernback acknowledges.

"That digital guy might not be used to the maritime world. It's not as straightforward in shipping as writing software at Amazon."

There have been casualties. Good digital experts have come but quickly departed, "frustrated by the commercial inertia of marine".

It is important to understanding and respect the pace of change in shipping, making sure technology businesses come up with the right solutions at the right time.

"There's nothing worse than creating the most fantastic product, only to find the industry is not ready to take it on board."

It is not only shipping companies that are holding back the industry's progress. Wärtsilä has spent time and effort in getting flag states to allow new pieces of technology to be installed on board a ship.

"One of our greatest barriers in terms of being able to progress is moving the industry from a focus on compliance to be more adoptive of solutions. We'd like to see a different cadence when it comes to getting approval from flag states or the IMO [International Maritime Organization]."

Mr Fernback recognises companies in the digital space are struggling to create the right perception for potential customers.

"Wärtsilä is still seen as an engine and propulsion company. What's overlooked is that we have 1,800 people working on cutting-edge technology to solve specific problems and deliver particular benefits.

"We're not getting that message through," he admits

"It's partly us and partly a hesitation among shipowners. There are the early adopters and there are followers who want to be shown it is proven, stable, mature technology. They want to know the safety record and pricing."

The push for autonomy in shipping might have brought a degree of confusion, Mr Fernback believes. Perhaps technology experts are trying to force the technology at too early a stage.

His previous experience offers some insight.

"Five years ago, I was involved in the automotive sector, when the talk was all about self-driving cars. It was all going to happen within three years — then it was realised it's much harder than they had thought and the customer was not ready to take it.

"A different approach was needed in automotive — and that's been good learning for us."

Wärtsilä has taken a stepped approach to autonomous shipping.

"We don't talk about the autonomous ship because nobody knows when it will happen and what types of vessel will be autonomous.

"However, there are certain solutions we can deliver that can take a vessel towards autonomy."

He gives the example of replacing a human bow lookout with a digital solution, which would mean a containership stacking more containers.

It is both better utilisation of the ship's design and capacity and forms a component in the journey to autonomy.

Another example would be the periodically unmanned bridge, which allows the night watchman to leave the bridge to be 'manned' by technology.

These are stepping-stones in a progressive approach that allows customers to get comfortable, he says.

"That way, we'll get greater adoption, and greater education in the industry."

Satellite communications technology has come a long way in the past 10 years. In terms of bandwidth and coverage, Mr Fernback confirms it is pretty good, with wider coverage and affordability.

Digitalisation must include a stronger element of education, he concludes.

"We all have to take a role in education, using the right language that allows shipowners and operators to think laterally.

"They must feel comfortable sharing their problems so we can provide the right solutions for them."

MARKETS:

Rising tide lifts containership earnings

CONTAINERSHIP owners are riding high on the back of unprecedented containerised freight demand, with both vessel values and charter rates soaring.

"After experiencing record high earnings in the third and fourth quarters of 2020, the containership sector is expected to continue recovering as we move into 2021," said analysts at VesselsValue.

Charter rates, which slumped at the beginning of last year, have recovered to levels higher than before the pandemic, with larger vessels proving popular.

"Rates for post-panamax type containerships reached $36k per day at the start of January 2021, 20% higher than the same period last year," VesselsValue said. "It is also evident that January 2021 rates for sub-panamax containerships were up 50% compared with the same time last year."

There had even been a trickle-down effect to smaller tonnage, with handysize and feedermax ships seeing rates increase, although at a slower rate than larger vessels.

Charter rates had been driven by a strong growth in US imports that had seen a sharp increase in cargo-miles. After falling at the start of 2020 as the pandemic spread, cargo-miles had recovered to 17.9bn teu-miles by October, up by almost a quarter on 2019 levels.

This was reflected in amount of capacity deployed on the China–US trades, which nearly doubled to just shy of 1.2m teu per month.

For non-operating owners of container vessels, demand from lines for additional capacity has pushed up rates and charter periods. Costamare, for example, has secured 10-year charters for four 11,000 teu ships at £33,000 per day.

MPC Container Ships also noted in an operational update that average charter duration increased from 4.2 months in June 2020 to 11.9 months. Its fleet utilisation is now at more than 99%, indicating little slack in the market.

The sale and purchase market is also surging ahead.

"Secondhand S&P activity increased in parallel with overall market recovery," MPC Container Ships said.

The company had sold three sub-1,200 teu units for $12.7m teu and spent $10m on a 3,500 teu vessel with secured earnings of around $8m.

VesselsValue said the positive conditions in the boxship sector were likely to continue, particularly following the election of President Biden, which was likely to ease some trade tensions.

"This could result in a softening of trade deals with China which could result in an increase in container imports into the US, something that we saw weaken during President Trump's term," it said.

"Additionally, Biden's promise to prioritise stimulus spending is also a positive sign for container demand. Encouraging spending and online consumerisation is not only likely to improve the US economy, but also have knock-on effects to global trade flows as the US will continue to receive goods from China and the East.

"With many countries now rolling out vaccination programmes, container demand is likely to continue rising as economies recover and lockdowns are eased, keeping important transpacific volumes strong."

Costamare seals multi-year charter deals as boxship rates rise

COSTAMARE, the containership owner, has agreed charter deals for 20 vessels at rates and for durations reflective of a rising charter market.

Among the new charters are eye-catching 10-year deals with MSC for four 11,010 teu vessels.

After their current charters to Zim expire this year, the 2016-built *Cape Akritas* (IMO: 9706190) and its three 2017-built sisterships *Cape Kortia* (IMO: 9727613), *Cape Sounio* (IMO: 9727625) and *Cape Tainaro* (IMO: 9706205) will each be earning $33,000 daily.

MSC has also agreed a charter extension of about four years for the 8,531 teu *Navarino* (IMO: 9400289) at $31,000 per day.

Three-year charter extensions have been agreed with Cosco for a trio of 9,469 teu vessels — *Cosco Hellas* (IMO: 9308510), *Yantian* (IMO: 9305594) and *Beijing* (IMO: 9308508) — at a rate of $39,600 daily.

Another 1996-built vessel, *Kure* (IMO: 9085522), will continue with Cosco for about another two years at $31,000 daily.

The chartering arrangements, which also include a number of significant deals for panamaxes, "substantially enhanced" both contracted revenues and charter coverage for the New York Stock Exchange-listed company, said chief financial officer Gregory Zikos.

Altogether the new charters and extensions have a weighted average duration of about five years and are projected to contribute revenues of more than $440m.

"Charter rates have been on the rise, supported by healthy demand and a chronic shortage of vessels," Mr Zikos said, adding Costamare was "favourably" positioned if current market dynamics continue as it has 10 vessels coming off charter over the next six months.

It was also eyeing "healthy expansion in a volatile market environment", backed by more than $200m of liquidity and "minimal" capital expenditure commitments.

The owner of 71 containerships on the water has the last two in a series of five 12,690 teu newbuildings for Yang Ming Marine Transport due to be delivered in the first half of this year.

It said that in the fourth quarter of 2020 it agreed to acquire an additional three secondhand vessels.

One of these, the 10-year-old 4,178 teu *Neokastro* (IMO: 9400215) was delivered in December. Although Costamare did not identify the vessel further it is believed to have been acquired from the fleet of Peter Döhle.

Two 6,492 teu vessels built in 2004 have also been acquired and are due to be delivered to the owner in the first quarter of the year. Upon delivery, the vessels will enter into charters for about two years with a leading liner company.

Costamare unveiled the latest acquisitions and the string of new charter deals as it reported strong fourth quarter and full-year results for 2020.

Adjusted net income for the quarter came to $32.7m, compared with $38.4m for the same period of 2019, while adjusted net income for the 12 months increased by about 18% to $123.7m.

The owner declared an unchanged dividend of $0.10 for the fourth quarter of 2020.

Collaboration needed as digitech matures, says Navtor

SHIPPING is at a point in its digital journey where decisions must be made about how data can be used more effectively by management and operations.

What is needed is a plan for handling data so that all stakeholders benefit, says Arild Risholm Sæther, head of business development at Navtor.

Navtor, a Norwegian company best known for its navigational products and services, was acquired last year by Accel-KKR, a Silicon Valley private equity investor focused on mid-market software and technology businesses.

The acquisition sparked fresh vitality at the company, with new hires and ideas. One of the new hires was Mr Sæther, who had spent 12 years as chief executive of ProNav, a marine electronics subsidiary of JRC (Japan Radio Co).

There is now a strong focus on the Navfleet software, a decision support tool to enable shipowners, managers and charterers to monitor the performance of individual vessels and whole fleets.

By analysing data from the ship, Navfleet assesses performance and confirms whether or not a vessel is complying with its charter party terms or the owner's key performance indicators.

One of the challenges is that this requires the data available from a ship's equipment and systems to be in a format that can be channelled through a single distribution point on board and onwards to the shore.

This does not happen at present. Separate data distribution devices are in place for each piece of equipment installed.

NavBox, the company's cyber-secure certified gateway, addresses this issue. By downloading navigational data automatically, it could transfer data gathered by equipment from several manufacturers. This would make NavBox a single contact point that avoids the need for every manufacturer to install their own equipment.

The company is currently in talks to explore this option.

Many shipowners see the benefits of transferring data to shore automatically. Other owners, however, prefer manual data collection because it keeps the crew responsible for obtaining data, giving them the chance to identify malfunctions and taking action as required.

For Navfleet to be fully effective, it will need data from all the ship's systems. In the long term, the need will be to find a way to get this information automatically, Mr Sæther says. Digital efficiency will held back until equipment suppliers agree on a single collection point.

Navtor is not a hardware provider so it would not be competing with any of the onboard systems providers. "We want to collaborate with them," he says.

The drivers are not only operational but also regulatory. Since 2018, ships have had to record and report their emissions under the European Union's Monitoring, Reporting and Verification regulation, which the EU sees as a key part of its emissions trading scheme.

Although shipping is not covered by the ETS, the EU regards it as a cornerstone of its climate change policy. In September 2020, the European Parliament voted in favour of bringing shipping into the ETS. The final outcome has to be decided.

Also, since 2018, the International Maritime Organization has required information on fuel consumption to be reported via its data collection system for inclusion in its Ship Fuel Oil Consumption Database.

Whatever the outcome of the European Commission's discussions about ETS, there is a role for a system that can consolidate all the data needed by the MRV and DCS requirements.

"There are single systems on board, gathering information on engine and hull performance, but these systems are incompatible. They don't talk to one another," said Mr Sæther.

Navtor is tackling this by setting up a working group of 15 shipowners to provide feedback before the performance assessment tool is in place and as monitoring progresses.

Shipping is at a point on its digital journey where initial rush to invest in new technologies should now incorporate a degree of collaboration.

IN OTHER NEWS:

India to double ship recycling capacity by 2024

NEW Delhi has put forward plans to double ship recycling capacity by 2024 and attract more vessels from Europe and Japan.

Union finance minister Nirmala Sitharaman made the announcements during the latest budget and said that the doubling of recycling capacity from the present 4.5m light displacement tonnes is expected to generate additional employment in the sector.

Scrap markets have seen a lull with muted demand and extremely volatile steel prices, leaving Alang buyers in a perpetual state of dissatisfaction and confusion as new sellers waited to see the outcome of the Indian budget.

Star Bulk agrees to buy seven bulkers from Scorpio

SCORPIO Bulkers, the US-listed owner that is determined to exit the dry bulk market, has agreed to sell seven vessels to Star Bulk Carriers Corp.

The deal for the three ultramaxes built in 2015 and four kamsarmaxes built in 2015 and 2016 has been agreed for a consideration of 3m common shares in Star Bulk, the companies said in separate filings.

Star Bulk said in a statement it will also assume the outstanding lease obligations of the vessels, which stand at $102m.

PIL creditors vote to approve restructuring plan

CREDITORS grouped under four classes have granted Pacific International Lines the required majority vote in support of its proposed restructuring, paving the way for $600m of new equity and debt injection from Temasek-linked Heliconia Capital.

The Singapore-based container shipping group tabled the vote on Monday for its proposal to restructure under a scheme.

The scheme won an almost unanimous vote from secured lenders holding more than $816 m of debts and grouped under two classes.

US exporters hit by container equipment shortage

THE disruption occurring in the US supply chain has led to a shortfall of available container equipment at Los Angeles, according to figures from container positioning platform Container xChange.

After struggling with an excess of containers in 2020, the port was now suffering from a severe shortage, it said.

“US container shipping supply chains have been under pressure since the summer and now the Port of LA is coping with an outbreak of Covid-19 and labour shortages,” said chief executive Johannes Schlingmeier.

Excessive detention and demurrage charges ‘threaten’ US intermodal carriers

EXCESSIVE detention and demurrage charges imposed by shipping lines and marine terminal operators are threatening US intermodal carriers, with more than half of them reporting “critical negative effects” on their businesses.

Such concerns, already under investigation by the Federal Maritime Commission, have yet to be resolved, according to Weston LaBar, chief executive of the Harbor Trucking Association. The organisation represents drayage carriers serving US west coast ports.

“Resolving the issues surrounding unreasonable detention and demurrage is the top priority for the HTA, as voted on by our board of directors,” Mr LaBar told Lloyd's List. “The process and governance regarding the extortive assessment of detention and demurrage lacks equity, inclusion, and transparency.”

Risk to shipping will increase if hardliner takes Iranian presidency

IRAN may detain more ships for political ends if hardliners win its presidency in May, according to a security consultant.

Revolutionary Guards seized the South Korean chemical and oil tanker *Hankuk Chemi* (IMO: 9232369) a month ago following a dispute with South Korea concerning sanctioned funds. The tanker's 20 crew are still detained despite diplomatic talks. The incident prompted fears Iran could return to the vessel seizures of 2019 to get its way in political spats.

Risk Intelligence chief operating officer Henrik Ehlers Kragh told a webinar it was widely expected that a hardliner would become Iran's president in May, and this could hurt the chances of a negotiated end to US–Iran tensions.

Biden urged to vaccinate dockworkers as ‘priority’ group

FEDERAL maritime commissioners have made a plea to President Joe Biden for the US maritime workforce to get priority for vaccinations against the coronavirus.

The letter from commissioners Carl Bentzel and Daniel Maffei is the latest effort by union leaders, port officials and politicians at all levels to move dockworkers up the queue for the vaccination.

“We write regarding the urgent issue of vaccinating the nation's maritime workforce as soon as possible,” they wrote. “We recommend that this essential workforce be prioritised for vaccinations, and in the interim be given access to rapid testing to help minimise workplace disruption."

Wikborg Rein hires admiralty manager from Ince

WIKBORG Rein is expanding its marine casualty and emergency response team by hiring Ince & Co's admiralty manager Matt Berry for the same role in its London office.

Mr Berry, a former mariner, began his career with James Fisher, working on coastal product tankers, before joining Shell in 2003 to work both onshore in the oil fleet operations department, and at sea on Shell's oil and gas fleet. He subsequently spent 11 years in the admiralty department of Ince.

As well as extensive experience in casualty claims, he has specialist knowledge of liquefied natural gas operations, including cargo operations, machinery and equipment, propulsion and use of cargo/boil-off for fuel.

Classified notices follow

SALE OF CRUISE VESSEL "ASTORIA"

The Insolvency of

"ISLANDS CRUISES - TRANSPORTES MARÍTIMOS UNIPESSOAL, LDA."

Judicial Court of the District of Madeira - Commerce Judge of Funchal - Judge 2

Case No. 1339/16.9T8FNC

The Administrator of Insolvency of "Islands Cruises - Transportes Marítimos Unipessoal, Lda.", announces the sale, in the modality of "Closed Letter with Proposal", of the vessel arrested in the Insolvency Proceeding under no. 1339/16.9T8FNC, which is on sale in the Judicial Court of the District of Madeira - Funchal Commerce Court - Judge 2, that is identified below:

- *Cruise ship, named "Astoria" (ex Azores), with length over all of 160.07 meters, breadth 21 meters and depth 11.73 meters, with a capacity of 716 passengers, registered in the International Shipping Register of Madeira (MAR), under number 1379, IMO 53383304, registered in the Commercial Registry of the Madeira Free Trade Zone under number 540, equipment and outfitting.*

Minimum sale price EUR 10.000.000,00 (EURO Ten Millions)

Conditions:

1. *The parties interested in the purchase of the vessel must send their proposals via registered courier, in closed envelope, to José Pinto Oliveira, Administrator of Insolvency of Islands Cruises - Transportes Marítimos Unipessoal, Lda., office address Av. Conde Valbom, 67, 4º Esq., 1050-067 Lisboa-Portugal, until February 19th, 2021 (inclusive).*
2. *The proposal should mention, on pain of exclusion, the following elements:*
   - *Identification of the bidder - name or corporate name, address, tax identification number, telephone, email and value offered in written in words.*

   It must be accompanied by a certified or bank check, in the amount of 10% of the proposed value, otherwise it will not be accepted to the tender.
3. *The Vessel is sold in its physical and legal condition, free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, being the responsibility of the buyer all costs related to the purchase, namely registration.*
4. *The Vessel is actually at the Port of Rotterdam, The Netherlands, and the ship is currently in the port of Rotterdam, prohibited from visiting.*
5. *The Vessel is subject to a paulian impugnation, which is under the terms of process nr. 32399/15.9T8LSB - Lisbon District Court - Central Instance - 1st Civil Section - J17, whose cancellation is granted and it is the responsibility of the insolvency, which will carry it out prior to the delivery.*
6. *Any arrests pending over the Vessel are the responsibility of the Insolvency, which grants its cancellation before delivery.*
7. *The Insolvency reserves the right to refuse to accept bids if they do not reach the minimum value set.*
8. *After the opening of the proposals, an auction session will start between the bidders.*
9. *The award is dependent on the non-exercise by the mortgageor of the right conferred by Article 164, paragraph 3 of the CIRE.*
10. *With the adjudication of the Vessel, the promissory-Buyer will proceed, as a sign and principle of payment, to the delivery of 10% of the adjudication value, being the remaining liquidated at the moment of the signature of the sale document (Bill of Sale) that will occur within 60 days counted from date of signature of the sale and purchase contract; being the obligation of the insolvency to notify the Buyer on the date, time and place for the accomplishment of the same, with at least 15 days in advance.*
11. *The Administrator of Insolvency will proceed to the opening of the proposals on the March 1st 2021, at 15:00, at Avenida Conde Valbom, nº 67 – 4º Esq., in Lisbon-Portugal inviting the proponents to be present in that diligence.*
12. *Any event of Buyers' default will determine the loss of the amount already paid, irrespective of the nature of the claim.*
13. *For further information, please contact the Insolvency Administrator via phone (+351 964050780) or email (jose.e.oliveira@aj.caaj.pt)*

PS: MV "Astoria" may be visualised in the following link: https://www.youtube.com/watch?v=QeatrJsKLIM

The Administrator of Insolvency
(José Pinto Oliveira)