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Liner shipping leaders look to mutual commitments in contracts

AS THE ANNUAL transpacific contracting season gets under way, container lines are looking for more stability and commitment from customers in an effort to get better insight into demand and avoid the instability in the market witnessed over the past several months.

"We expect that in five years close to 100% of our business will be based on two-way commitments," said Maersk ocean and logistics chief executive Vincent Clerc. "It makes sense that we have a clear view on what we're going to do for each other and there are ways to do that that are very compelling for customers."

Speaking at the Journal of Commerce's TPM conference, Mr Clerc said that the company's Maersk Spot product, which offers a guaranteed slot at a fixed price, had found a market and grown well ahead of expectations.

"It represents more than half of what we do in the short-term business in many markets," he said. "That percentage is continuing to increase as the value proposition is compelling to a large part of the market."

But the Maersk Spot product alone could not satisfy all customer requirements.

"There is a need for us to develop a product family that can address the different expectations that customers have," said Mr Clerc. "It is not Spot that is the future, but having two-way commitments across different models that deal with what customers expect to have is important."

Hapag-Lloyd has also moved to ensure there is a two-way commitment between shipper and carrier.

“I believe it is important that carriers and shippers start making contracts with each other where we both commit to what we say,” said chief executive Rolf Habben Jansen. “We just launched what we call the quality freight product, which means that both shipper and carrier commit to their side of the deal.

“If you decide to move 100 containers a week with us, you have to move 100 containers every week. And if we promise to make 100 slots available every week we will do the same.”

Containers that are not supplied or not shipped will require compensation to be paid by either side.

“I believe in going more in that type of direction,” Mr Habben Jansen said. “It makes a lot of sense. In the perfect storm that we have seen over the past couple of months, we have seen that the traditional contracts are increasingly challenging.

“On the one hand, you see a lot of changes on the carrier side, with ships that need to be changed. But on the other hand, we have also seen no-shows that have been at 30%-40%, which makes it difficult to plan, especially when the market is very hectic.”

That predictability of demand is critical to ensuring a way out of the current crisis, according to Ocean Network Express chief executive Jeremy Nixon.

“In terms of the contract market, we are trying to honour space commitments,” he said. “We accept that sometimes factory production can change and sometimes ships don’t come in on schedule, but within a very high tolerance level we should be able to do that.

“In terms of the spot market, now there are specific mechanisms coming forward that say, ‘I commit to this many boxes on this particular ship at this rate at this time, and if I fall short of that, this will be the consequence’.”

Better insight into what was coming down the line could help prevent the chaos that had ensued from the recent surge in cargo demand, he added.

“The pandemic was an extraordinary event for all of us,” said Mr Nixon. “What we need to try and do is be better at forecasting and trying to work that through with our shippers, BCOs and freight forwarders, and try to predict three or four months out when we see some demand changes happening.”

Mr Clerc said it was unwise for shippers to go into the current negotiating period in search of the best possible price.

“Don’t approach negotiations as contract negotiations, but approach it as a business negotiation,” he said. “If it is just a contract negotiation and it is all about trying to secure something that is a few dollars below a certain benchmark, it is likely to end up badly.”

It was more to have a business conversation to understand the desired outcomes before getting into a procurement discussion, he said.

“The transactional price-based discussion alone is never a good idea, but especially this year is not really going to lead to the outcome you want.”

WHAT TO WATCH

Genco chief sees ‘perfect rainbow’ over dry bulk market

GENCO, a US-listed bulker owner, is positive on freight rates for both this and next year.

“A perfect rainbow is forming over dry bulk market with a healthy multi-year outlook,” chief executive John Wobensmith said in an interview.

The company has 41 vessels in its fleet, consisting of 17 capesizes, all scrubber-fitted, nine ultramaxes and 15 supramaxes. It has recently exited the handysize space.

Current capesize rates, which trail the other segments, are a function of a normal seasonal lull, although are still higher now than at the same time in previous years. The market was hit by supply issues rather than any demand concerns.

Mr Wobensmith expects the rates to rebound by the end of March or early April, given that the rainy season in Brazil is coming to an end as well as scheduled maintenance, which will lead to

higher iron ore volumes from the country's biggest miner Vale.

Moreover, iron ore prices at $170 per tonne gives incentive for miners to shift product, he said, adding that as China's steel production continues to see growth, inventories of steel and iron ore are being drawn down, which signals "demand is there".

The World Steel Association estimates that China produced 90.2m tonnes of steel in January, an increase of 6.8% from the same month a year earlier.

Global output recovered, rising by 4.8% to 162.9m tonnes.

The smaller dry bulk segments have been led by a strong Atlantic market mostly driven by grains from the US and soon Brazil, which is expected to have a record crop, Mr Wobensmith said, adding that abundant shipments of petroleum coke, fertiliser and cement cargoes on backhaul have added to the strength.

Genco booked an ultramax for a cement shipment at $19,000 per day.

In the Pacific, coal movements into India from Australia, and China's imports from South Africa and Indonesia have been driving rates higher, he said. Vietnam is also pulling in thermal coal, and will be growing coking coal imports because of rising steel production.

The company has been trading vessels in the spot market to capture the upside.

While the prospects for this year look good, Mr Wobensmith is "more excited" about 2022 as vessel supply tails off even further.

The company has been active in the sales and purchase market over the past few months and any acquisitions will concentrate on builds completed after 2015 as that is when "eco" engines came into play, he said. "There is still time to invest as asset prices have risen a little, but have not run away, as we are at the upper part of the lower quartile.

"With the cash and leverage position we have, we are always looking at opportunities but nothing concrete as yet."

As with many other executives, Mr Wobensmith does not expect large ordering of newbuildings to take place until there is a clear picture about future fuels.

"The good news is that there are lots of options (to decarbonise shipping)," he said, adding that while liquefied natural gas was a short-term fix, it was better to spend more time on long-term solutions.

He said Genco is looking closely at ammonia, which seems to be leading the pack for larger ships, although the engines are unlikely to be developed until 2024 at the earliest, while the infrastructure will also take a few years. Meanwhile, hydrogen on smaller ships may work.

The company has an environmental, social and governance strategy.

It sold off older, inefficient vessels, which helped to lower its carbon footprint by 10% since 2018, and will reduce it further in the coming year, with the addition of modern ultramaxes, according to the executive.

It is a US filer, with an independent and diverse board, and no related party transactions, he said.

On the social side, the company contributes to the Seamen's Church, organises beach clean-ups, though not since the coronavirus pandemic, and supports local charities within New York city, where it is based.

It recently joined the Neptune Declaration on Seafarer Wellbeing to help address the humanitarian crisis at sea because of the pandemic. It has completed more than 100 crew changes involving about 2,000 seafarers.

Despite major shareholders such as Centerbridge, Apollo and Strategic Value Partners reducing their collective stakes in recent weeks from 58% to 32%, potentially linked to end of life investment cycles as two of them entered in 2013, the sell-off may have improved liquidity in the stock.

Cleaves Securities ranks Genco as its top pick in the dry bulk sector. It has a "buy" rating on the stock and sees a 53% upside to its target price of $16 per share.

Shipping's transparency revolution

TRANSPARENCY is the common thread that runs through the most fundamental questions with which the shipping industry is grappling right now.

Amid a slew of Lloyd's List headlines and a special investigation exposing hidden flows of sanctioned oil cargoes, 'dark-ship' subterfuge and offshore obfuscation, that may sound a counter-intuitive assertion to make.

Yet a confluence of security, financial and regulatory forces are systematically hoisting the sector's corporate veil and slowly changing the fabric of the industry in the process.

This is not a singular process; our transparency thesis rests on a disparate body of evidence covering digital, environmental and regulatory trends.

Nor are we describing a uniform revolution. As is so often the case in shipping, we see a vanguard of proactive leaders — but for the majority, change has been gradually coerced, imposed and ultimately enforced by outside forces well beyond the limited scope of the industry's own agency.

From the sweeping twin tectonic shifts of digitalisation and decarbonisation to the forensic concerns of sanctions compliance and financial governance — the opening up of shipping is the singular issue at the heart of the industry's future

The inexorable force of digitalisation is arguably the most visible vanguard of this trend towards transparency.

The interconnectedness of the digital revolution doesn't just look favourably on transparency — it requires it.

An average end-to-end container shipment involves more than 30 organisations, more than 100 people and more than 200 information exchanges.

Yet the processes and technology supporting such shipments rarely matches up — and that is a story recreated billions of times over, via $14trn of maritime trade globally that has remained stubbornly analogue and inefficient.

This is now starting to change, courtesy of the blockchain-fuelled digital standardisation that is required to replace the archaic systems of trade currently conducted via an inconsistent mess of e-mail, paper, fax and misaligned Excel spreadsheets.

The detail of the digital revolution will continue to generate petabytes of analysis elsewhere — but for the purposes of our transparency thesis, the focus is the openness and visibility that this technology both enables and requires of everyone.

To link port and terminal operators, cargo owners, customs authorities, freight forwarders, brokers and transportation companies in a seamless process requires a shift in the way the industry works.

While the coding of the digital ecosystem that is supporting this shift has been the focus to this point, the more revolutionary aspect of this shift has, in fact, been the realisation that we need to work in a way that is collaborative and allows for that increased collaboration with other parties, including competitors.

Understanding the technicalities of blockchain initially proved something of a barrier for many, but that process of building trust has gradually managed to win over a majority — at least in the container sector — and the ubiquity of blockchain projects across major cargo interests has forced the hand of even the most reluctant maritime luddites to engage.

Put simply, blockchain lets people who have no particular confidence in each other collaborate. It is a machine for creating trust and, when everyone trusts the information in that chain, value can be created across the entire supply chain ecosystem.

In practical terms, it means that companies can stop spending all of their time and money dealing with the zero value-add of getting information all in one place, trying to standardise it and translate it into a consumable format and doing stuff with the information after spending all that time getting it in a single location.

The opacity of shipping is well understood, but much of that is to do with the volume of information flowing across seaborne trade and the siloed nature of how it is retained and processed.

Getting that information into a standardized and usable format sits at the heart of all digital projects. And, while that process comes with the privacy and security standards built in, the overall trend is one of enhanced visibility across and increasingly integrated supply chain.

In digital terms, transparency is not just desirable; it is fundamental to the whole process. However, our argument is not just one of data transparency.

Shareholders are demanding robust corporate governance, which is now being measured, ushering in an era of ever-more detailed reporting on the industry's activities and accountability for its carbon output in the process

Charterers, financiers, governments, counterparties and society at large are forcing through new environmental, social and governance requirements that are making sure capital doesn't flow in the direction of those who refuse to step out of the shadows or account for their emissions.

Lending to shipping has already begun to hinge on shipowners' ability to satisfy the banks' ESG criteria.

In terms of transparency, the message is clear: the more traditional shipowners that wish to stay more opaque will find access to capital very difficult going forward.

And that is significant, considering the fact there is a huge lack of capital for the industry at a time when it faces the dual challenges of decarbonisation and disruptive technologies — such as blockchain, artificial intelligence and autonomous shipping — which will not only change the way we work and run our business, but will also change the way we live.

Today, the big miners, energy companies and traders are all under huge pressure to clean up their act.

Regulators are demanding better risk management; investors are looking for commitment to future clean growth; and campaigners are fighting for bolder commitments.

The nascent emergence of plans from cargo interests to introduce bunker levies to cover cost differentials in opting for zero-carbon fuels, together with transparent charterparties accounting for carbon emissions, indicates a future where cargo interests call the shots in terms of vessel choice.

Of course, these are broad-brush trends that will not apply uniformly across the industry. Among the smaller charterers, transparency is less of an agenda-setter than you may think — and for many state-sponsored shipping companies, politics is arguably a bigger driver of behaviour than market demands to end opaque practices.

A quick glance at this year's Lloyd's List Top 100 Ports tells you all you need to know about China's influence over market dynamics, where transparency is a much more complex affair than simple ESG requirements.

Such trends are inevitably uneven; but in our view, the ultimate direction of travel for operators — regardless of size, corporate structure or region — is now clear.

Those already trading on their sustainability credentials are voluntarily operating with unprecedented levels of transparency regarding their carbon emissions. Yet the voluntary nature of such efforts will inevitably remain short-lived.

At some point, we expect that many shipowners' access to cargo, capital and ports could be at risk if they are considered not to be doing enough to reduce their CO_2 footprints.

Today's monitoring and reporting of emissions will soon enough segue into market-based measures and accountability for carbon will come with a price tag.

Once carbon is transparently priced into maritime trade, that will create a new benchmark of industry transparency — forcing the entire maritime supply chain to account for the full lifecycle of its emissions, not just the specific 'tank-to-wake' emissions currently being considered at a regulatory level.

Owners who fail to meet decarbonisation obligations will effectively lose their licence to operate over the coming years.

The final pillar of our transparency argument rests upon enforcement of regulation, both regional and global.

While the global nature of shipping's cross-border markets is porous and flawed, the regulatory noose is tightening sufficiently in some areas that ensure transparency is never far from the boardroom agenda.

Financial regulation has been intensifying for several years in the wake of successive economic crises and the rise of the compliance officer — finance's feared in-house policeman — was only partly related to an increasingly politicised sanctions risk that has been so dominant in the industry headlines of late.

Banks fined for aiding corruption, money-laundering — and, yes, sanctions-busting — have beefed up their compliance, risk, legal and internal-audit teams, even as cutbacks elsewhere were made.

And, while there may have been some talk in the financial press of banks having reached "peak compliance", staffing and investment are likely to remain well above pre-crisis levels.

Shipping's offshore status is unlikely to change overnight, but there is a growing international agenda targeting anonymous shell companies as the getaway cars of tax-evaders and money-launderers.

When it comes to the murkier end of shipping's deceptive practices, there has never been a bigger target on shipping's back.

As Lloyd's List's recent investigation series into 'subterfuge shipping' revealed, there is still an underbelly of shipping operators determined to evade the evolving complexities of sanctions.

Our data-led investigation highlighted how some opaque operators go to great lengths to cover their tracks, not least through regular flag-hopping and class-hopping.

Yet while our own evidence points to a persistent pattern of deceptive practices, heightened scrutiny has only increased the need for additional transparency and due diligence from everyone else

Legitimate shipping companies are, generally speaking, not knowingly looking to test American resolve when it comes to sanctions — but there is a risk of getting caught out.

Until recently, the defence has been that few have the resources to perform the requisite degree of due diligence to unravel the highly complex networks that support proscribed ventures. Such excuses increasingly don't wash with the regulators.

Dark corners will always exist, but a lot of the privacy that shipping offered in the past has been lost in favour of accountability.

Global trade is becoming more transparent and resistance is increasingly futile.

Creditworthiness and compliance checks, the ubiquitous 'KYC' due diligence, audited financial statements and third-party reports investigating any historical payment problems — this is all now standard practice.

What was once offered up in the hope of earning reputational reward is now considered a basic entry to market expectation from counterparties no longer willing to take on financial risk.

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

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

Try as they might, such strategies are not working. The risk to Iran's fleet is well understood, but Lloyd's List is not alone in being able to uncover the companies and structures at play; intelligence agencies, financial and insurance institutions are all tracking activities.

The potential of inadvertently falling foul of this scrutiny on account of unverified third-party providers should be keeping more owners up at night.

While the Trump administration politicised the process, the US-led upgrading of sanctions risk for shipping had been in the works for some time, notably from the financial and insurance sectors.

For those banks and insurers seeking to apply transparency to the opaquest end of seaborne trade, many are only just realising how far they still need to go in order to mitigate the risk that the Trump era in some way helped expose.

While the transition of power in the US may signal some changes in terms of sanctions policy, nobody should be thinking that the focus on shipping transparency will be downgraded as a result.

The requirement to monitor maritime risk is now embedded within financial, insurance and political processes — and all signs point to increased complexity, not less.

The trend towards transparency is less a universal theory of everything and more a loosely linked series of coalescing forces, but it warrants attention as a direction of travel.

While transparency of operations will be a prerequisite to access finance and charters for some, the playing field is likely to become increasingly uneven in other areas

The inexorable force of digitalisation is partly responsible for peeling away shipping's opaque patterns of behaviour, but it is not the whole story and it will require differing strategies from companies.

Those seeking to avoid inadvertently getting caught in an increasingly complex web of regulatory compliance need to proactively monitor the lack of transparency at the murkier ends of their own supply chains.

As we noted following our recent subterfuge investigation, the issues surrounding secrecy in shipping have been on the regulatory agenda for literally decades.

Yet surely it cannot be long before transparency standards expected of every other major global industry in the 21st century are applied to shipping as well.

Much of this disclosure revolution is positive and overdue, but this is not a shift that the sector can passively accept without question.

With increased transparency comes complexity and significant risk that needs to be carefully navigated.

ANALYSIS:

Israeli vessel still covered if explosion deemed an act of war, says lawyer

INSURANCE cover on an Israel-owned car carrier damaged in an explosion is unlikely to be invalidated if the blast was the act of a hostile state, according to a maritime disputes specialist.

Israeli Prime Minister Benjamin Netanyahu has accused Iran of being responsible for the blast on *Helios Ray* (IMO: 9690547), which is operated by Ray Shipping. Iran's foreign ministry has denied the charge.

The explosion resulted in two holes above the waterline on each side of the Bahamas-flagged, 2015-built, 12,900 dwt vessel as it travelled from Saudi Arabia to Singapore last week, according to media reports. No crew were injured.

London-based WFW maritime disputes partner Mike Phillips said that under English law, wars did not make any difference to contractual legal relationships between two parties.

A deliberate attack on a vessel — and Israel has suggested the use of limpet mines on *Helios Ray* — could be seen as an act of war, even if war is not formally declared between the state of the perpetrator and the ownership state.

"If you and I had a contract and people do warlike things, the starting proposition is that nothing affects our contract. But that can change, by operation of the law, in a few circumstances," he said.

For instance, there may be a term in an agreement that issues caused by acts of war or acts of government are excluded.

In the Hague-Visby Rules for the international carriage of goods by sea, shipowners are excluded from liability for damage caused by act of war.

Whether or not something comprises an act of war would be decided by the courts, which would need to determine the circumstances of the Helios Ray explosion.

But in principle, a physical attack by one state upon another would usually be considered an act of war.

Unless *Helios Ray*'s H&M cover includes express terms excluding liability, the default position would be that an act of war does not affect contractual relationships.

If, however, an outbreak of war makes a contract impossible to fulfill, then the contract is frustrated in the legal sense.

In addition, some legislative acts and conventions also exclude acts of war. For instance, the bunker pollution convention excludes liability bunker spills caused by acts of war.

Changing lanes: China retains 'factory of the world' crown amid pandemic

WHEN Chinese factories shut down in early 2020 it sent shock waves across supply chains, making businesses and governments reassess their reliance on China as the world's manufacturing powerhouse.

However, after Chinese exports (measured in teu) slumped by around 11% in the first two quarters of 2020, the country is now well on track to return to pre-pandemic levels.

In the third and fourth quarters of last year, its exports experienced an annual increase of about 3.5% and approximately 14%, respectively, resulting in a year-on-year drop of just 1%, which is less than the overall global fall in containerised trade estimated to be in the region of 1.6%.

China's strong results meant that the Far East exhibited the most significant increase in the fourth quarter of 2020 for containerised exports of all world regions, estimated to be up almost 11% compared with the previous year.

Yet the Far East has not been the only world region to show signs of recovery in its exports.

The Middle East Gulf and the Indian Subcontinent, South America, and Europe and the Mediterranean regions all saw an increased in exports during the final three months of 2020, albeit of a lower magnitude.

With consumers' confined to their homes for much of 2020 amid coronavirus lockdown procedures, it comes as little surprise to see that increase experienced by the increase in Chinese exports in the final quarter of 2020 was driven largely by gym equipment which more than doubled.

Bicycle/motorbike exports also increased by around 200%, while kitchen appliances and (home) office electronic machines and equipment increased approximately 50%.

If China has been delivering machines and equipment to an increased number of people working/studying and needing entertainment while at home, Brazil has been delivering tea and coffee to the world.

In the fourth quarter of 2020, MDST estimates an annual increase of more than 23% compared with 2019 for this commodity group, an increase that has been accompanied by an improvement in Brazil's position in the global league of exporters for this commodity, up from 9% to 11%.

As for the European and Mediterranean countries, the increase in exports in the final quarter of the year was largely down to cereals/cereal preparations, increasing 9% on the final three-month total for the previous year.

The increase, however, was not enough to help Europe close the gap on the US as the dominant global exporter this commodity having increased its market share of cereal/cereal preparations to more than 13% compared with 9% in the final quarter of 2019.

Agricultural products and food products in general were among the goods to have experienced the fastest growth in the latter stages of 2020 and were the least impacted commodity group during the pandemic.

On the other hand, it was vehicles and vehicle parts that saw the sharpest contractions last year, with Japan among the most affected of exporting countries.

The different way in which the pandemic has impacted the different economic sectors around the world has offered the opportunity for some countries to improve the level of their international competitiveness or, by contrast, a deterioration in their market share.

But it was China that managed to improve its dominant global position.

With an overall share of 34% of the global trade in the fourth quarter of 2020, up from 32% in the same quarter in 2019, China is showing it has the resilience and determination to remain the "factory of the world".

Ask the Analyst: The data-sharing paradox

DIGITALISATION, automation and analytics will drive the future of shipping, so access to comprehensive data is key to mitigating risk and ensuring operational efficiency.

Solutions will come from multiple organisations; they cannot occur in a vacuum, and it is recognised that sharing data is necessary and mutually beneficial.

However, even among maritime data pioneers, there is a certain level of trepidation.

The maritime industry's slow move towards more transparency and information sharing is held back by a degree of unwillingness both from governments, flag states, port state control regimes, shipowners and the leading body itself, the International Maritime Organization.

This leads to a data-sharing paradox: how do you create tomorrow's solutions if opacity is the preferred industry approach?

Large-scale data collection and data management is resource intensive and you need specialist companies to aggregate information in a methodical way.

Big data companies, such as Lloyd's List Intelligence through its Seasearcher platform, aggregate data on vessels and companies into analytics and complex models.

We ingest about 350m AIS messages a day, which are processed into more than 210m published positions, as well as researching ultimate beneficial ownership on the live trading merchant fleet, offering greater transparency.

We rely greatly on information that is shared with us by flag states, classification societies, P&I clubs, national registries, coastguard authorities, the Lloyd's Agency network and others.

The transparency of these institutions allows us to collect more data and present enhanced risk models.

However, when gathering so-called "big data" through our terrestrial AIS network and multiple data partners, we have found that certain datasets are 'out of bounds' due to GDPR concerns or sensitive personal or company data, despite much of this being available if you click your way through a few levels of CAPTCHA controls or company websites.

Vessel ownership continues to be cloaked in darkness, which has a detrimental impact on seafarer rights, counterparty risk and safety.

During the coronavirus pandemic, the IMO has focused on seafarer abandonment. However, if there really was backing for the plight of the seafarers, more pressure would be placed on comprehensive ownership registers for ships, both through national corporate registers and through requirements put in place by flag states, PSC authorities, classification registries and others during vessel vetting.

Political shifts, like Brexit, impact access to data. In December, the Swedish Companies Registration Office (Bolagsverket) announced that from January 1, 2021, access to the service (Näringslivsregistret) would be restricted for UK-based companies.

Bolagsverket's regulation stipulates it is not allowed to transfer information from the insolvency register or the trade ban register to a country that is not a member of the EU or the EEA (Lloyd's List Intelligence does have a Sweden-registered company). This is somewhat peculiar, as most Swedish company filings are publicly available to download on hitta.se.

Insolvency data can be helpful as part of detecting whether a company is using the identity of a defunct company to carry out illicit trades, so the move is puzzling.

It is also in stark contrast with the Danish and Norwegian public company registers (EU and EEA countries, respectively) and the UK's Companies House, where company filings, insolvency data and even beneficial ownership information is readily available, free of charge.

Singapore has a comprehensive public registry but, as seen with the Hin Leong bankruptcy scandal, there are many ways to avoid publication of financial filings.

And in some jurisdictions, these are only accessible by law enforcement and tax authorities, which again reduces the level of transparency.

On the other hand, there are some positive developments in the Singapore bunkering sector towards more transparency, driven by blockchain technology and creative companies.

The Financial Action Task Force, an intergovernmental organisation focused on developing policies to combat money laundering and terrorism financing, has put pressure on several countries for the implementation of Registers of Beneficial Ownership.

This keeps a list of countries where there are deficiencies in their regimes to counter money laundering and terrorist financing.

Panama and Bahamas, two large flag states, are on this list. However, the road towards achieving this is long, and might not untangle the myriad of offshore registered company entities behind a vessel.

As seen in the case of the Swedish registry, the line between public or private (sensitive) data, access rights, data protection and data of 'legitimate interest' is becoming increasingly blurred.

However, granular vessel specifications and comprehensive fleet data is held by multiple industry actors, including Port State Control (PSC) authorities, classification societies, flag states, and maritime information aggregators.

Among the pioneers of data transparency are The International Association of Classification Societies (IACS), whose Quality System Certification Scheme (QSCS) is seen as the industry 'gold standard'.

The IACS classes recognise a mutual benefit in classification records being accurately and timely reported when a vessel changes class. Withdrawing or suspending a vessel's class, or the de-flagging of a vessel, is mostly standard practice.

However, for certain flag states, certain non-IACS classification societies and some P&I clubs, the willingness to share information is limited. The pressure to not share data they might hold on individual vessels usually comes from their customer base (that is shipowners), especially those on which the data shines a less-flattering light.

The commercial ambitions to increase their share of the world shipping fleet and appease shipowners is weighed against staying compliant, and the increased pressure to de-flag, withdraw class, or remove cover from vessels and vessel owners that might be engaged in illicit behaviour.

In its 'subterfuge shipping' series of articles, Lloyd's List highlighted vessels suspected of shipping Venezuelan and Iranian crude. Investigations have found that the principals behind these vessels engage in flag jumping and seem to favour certain flag states and P&I clubs.

Among these are the East of England P&I Club (not to be confused with the West of England or North of England P&I Clubs), and the Djibouti flag state.

Djibouti is a small flag state (currently fewer than 50 flagged vessels), which for years had mainly had a limited number of domestic tugs and general cargo ships in its register. However, in 2020, it saw six ships internationally trading crude oil tankers sign up.

At a time when compliance is at the fore, most flag states, classes and P&I clubs recognise it is important that their records are timely and accurately reflected, thereby also supporting other players in the market to stay compliant. However, many industry players have a long way to go in supporting this move.

There are some areas where data sharing has become more restricted.

In November 2017, the IMO recommended further information sharing between PSC regimes, as part of their ongoing "harmonisation and information-sharing strategy", including considering a move away from black/grey/white lists and expanding on "an individual ship risk profile approach".

Fast-forward to 2021 and, while there might be better information sharing between the PSCs, data sharing with data aggregators is not keeping up with the times.

The Paris Memorandum of Understanding of Port State Control (Paris MoU) and its 27 European PSC authorities (conducting circa 17,000 inspections annually) announced shortly afterwards that it would stop providing bulk data sets of granular PSC information to third-party data providers. This was effective on January 1, 2019 and remains in place today.

The Caribbean MoU follows a similar approach, with limited information publicly visible apart from inspection counts. This means a large volume of granular PSC data is held in antiquated online searchable databases, which is not the complete key to transparency.

The move was strongly urged to be reconsidered by the International Union of Marine Insurance, which noted that PSC information is used for risk assessments in the insurance industry. Lloyd's List

Intelligence voiced its concerns to the Paris MoU, collecting testimonials from actors in the industry who saw this as a backwards step from the MoU's mission statement of safety at sea.

PSC authorities are all governed by the same basic principle: "The prime responsibility for compliance with the requirements laid down in the international maritime conventions lies with the shipowner/operator; responsibility for ensuring such compliance remains with the flag state."

However, more can be done to support enhancing the focus on compliance by granting comprehensive access to bulk datasets. The Paris MoU grey and black lists are still useful reference documents as an industry benchmark, but the restrictions placed on aggregating PSC inspections for individual vessels, which remain in place, limit the option for meaningful analysis that can make shipping safer.

There has been a huge shift in how data is managed and shared. Gone are the days when you could rely on annual publications, or clunky online databases where you need to extract record by record. Companies are required to be more agile and data providers must be nimble.

Application Programming Interface solutions are in high demand, and the Lloyd's List Intelligence tech team is constantly updating new APIs as it improves the captured data and models, so this can be integrated into new models for clients and data partners daily.

This is the key to unlocking the maritime transparency treasure chest, but it depends on the continued will of all industry stakeholders.

MARKETS:

China and India seen as key drivers for LPG shipping

SEABORNE imports into India and China are the key drivers behind liquefied petroleum gas demand growth, boosting average sailing distances for very large gas carriers.

"This dynamic is expected to continue in the coming years," said Poten & Partners' LPG consultant Shantanu Bhushan. "More than 51% of the incremental seaborne LPG import demand from the Asia-Pacific region came from China and India in 2020, which is expected to be around 41% by 2025."

Asia-Pacific imported around 70m tonnes, accounting for 62% of global seaborne imports, he told the International LPG seminar 2021. "Seaborne import by Asia-Pacific is expected to rise by around 16% in 2025 when compared to imports in 2020."

China's demand still forms the backbone of the global demand equation. However, pandemic-related lockdown in China led to a decline in propane dehydrogenation plants operating rates and a slowdown in residential and commercial demand in the first quarter of last year.

As the economy started to reopen in April 2020, PDH run rates slowly increased and demand recovered, Mr Bhushan said.

Due in large part due to requirements from PDH plants, Chinese LPG consumption was up around 7% year on year to around 64m tonnes in 2020.

PDH projects and crackers are expected to support Chinese demand, which is estimated to rise significantly, if all these planned projects see the light of the day.

"Around 3m tonnes of PDH capacity is expected to start operating in 2021 and further 4m tonnes in 2022, which together may require roughly around 8m tonnes of propane while operating at 90% of its capacity," said Mr Bhushan.

India's demand picture, on the other hand, remains an oasis of hope for the LPG shipping market.

Poten expects Indian consumption to increase by 10%-11% in the next five years compared to about 38% growth in the past five years as LPG is substituting biomass as a household fuel.

Still, the biggest bottleneck for India is import infrastructure, said Mr Bhushan.

"There are plans to increase installed capacity with three new terminals and an expansion project to

increase terminal capacity by about 5m tonnes per annum that will ease constraints."

Moreover, new bottling plants, storage and a long-haul pipeline should also improve supply chain infrastructure. While new government policies are also being implemented to promote private investments, he added.

According to Poten estimates, global seaborne LPG trade was around 112m tonnes in 2020, up 2% compared with the previous year.

Seaborne LPG trade has on an average surged by 4% during 2016–20 period, which Mr Bhushan expects to increase by an average annual growth rate of 3% during the next five years.

US port productivity hindering supply chain recovery

LOW productivity at US terminals is one of the main factors behind the slowdown in container transport that is seeing ships stuck at anchor and carriers unable to move containers back to export markets.

"On the west coast it is not uncommon to be operating 14,000 teu ships," said Ocean Network Express chief executive Jeremy Nixon. "If we don't get the gangs and can't work the hours we normally work, the ships have to spend longer discharging their cargo."

Vessels that previously took three to four days to offload and reload were now taking seven to nine days, with some staying as long as 11 days for a full discharge and load cycle, he said.

"As the ships back up, we can't get the ships back to Asia on time. With no spare ships available this means that any delay on the North American side delays their return to Asia to start loading exports."

The latest figures from the Marine Exchange of Southern California show there were 30 containerships at anchor in San Pedro Bay as of March 1, while only 27 were at berth being worked.

Mr Nixon told the Journal of Commerce's TPM conference that with 30% of round trip transpacific volumes being empties, the slowdown was adding to the problems in the supply chain.

Much of the bottleneck in the system was caused by a disparity of working hours between the Asian export markets and the US import market.

"Factories in Asia work 24/7 producing goods," he said. "Terminals in Asia work 24/7. So there is 168 hours of production a week. There is another 168 hours a week of transportation, but when we get to North America, we don't have a 24/7 work environment."

West coast container terminals generally work a two-shift pattern between 0800 hrs and 0300 hrs, six to seven days a week. But the lack of demand from truckers at the weekend means gate operations often do not work on Saturdays and Sundays.

"That 168 hours a week gets restricted down to 112 hours a week in terminal productivity on the berth, then further drops to 90 hours on the terminal. On the landside to the warehouse, we're only working daylight hours."

This created a bottleneck where Asia was at full production, but due to the operational environment in the US, the production could not be absorbed on a sustained basis.

"The US market has been both the most volatile but in many ways the locomotive of the recovery that we have seen across the shipping market," said Maersk ocean and logistics chief executive Vincent Clerc. "There is no doubt that the corridors on the Pacific between Asia and the US west coast have been the strongest we have seen globally."

But it was also under a "big strain" from having infrastructure unable to cope with the current trade flow, due to a long-standing underinvestment.

"It is important to say that despite the volumes being high, congestion in Asia has been fairly well managed," Mr Clerc said. "The real bottlenecks appear to be in the US, with ships at anchor in San Pedro Bay and difficulty in getting trucking and warehousing."

But while he said there was a real need and opportunity to invest in infrastructure, Mr Nixon said the industry needed to improve the level of productivity in North American ports to absorb the peaks in demand when they came through.

"In Asia they have a 24/7 model and the ability to bring more gangs onto the berths when we get these peaks," he said.

"The challenge in North America is that we're not working 24/7 and we're not hitting the productivity levels in the terms of berth/hour moves that we are elsewhere. We're falling behind the curve and that makes it very difficult when we get these squeezes. Our ability to handle that and catch up is taking a lot longer."

Shipping will need to manage uncertainties as pandemic recedes

CARRIERS, shippers, and forwarders continue to face uncertainties even as the economic outlook brightens as the effects of the coronavirus outbreak start to be brought under some control.

"Our expectations for this year base case economic scenario is positive," said Rahul Kapoor, global head of commodity analytics and research at IHS Markit. "We are expecting the world economy to be gradually emerging from the pandemic."

He forecasts US real gross domestic product to increase 4% this year, 3.9% in 2022 and 2.5% in 2023 to 2025.

"That's still a very strong recovery in terms of the economic growth," he told the Journal of Commerce TPM21 conference.

While the rebound depends on the speed and effectivity of the vaccines in controlling the health crisis, the US economy will move from recovery to expansion in the third quarter of 2021 with full employment likely to follow, he said.

Government stimulus efforts are meanwhile the key driver of growth, enabling consumer spending which will provide "a strong tailwind" for container demand going into 2021 and "the second half as well".

"So, overall, we expect that consumer demand, consumer spending and continued demand to remain strong in 2021," he said.

Neil Glynn, head of European Transport at Credit Suisse, praised the container shipping lines' performance during the pandemic.

"The very active, agile, flexible management of capacity that we've seen over recent years gives us a lot of confidence that decision-making and thinking has actually changed, certainly for now," he said.

"I think this is an area that does need to continue to be tested, but the swift reactions to, in particular, the distress of 2020 and the second quarter in particular shows us that the old mantra of vessels being there to be operated, the old approach, traditionally operating flat, almost utility-like networks has actually changed."

He said the lines' actions were based on profitability requirements and cashflow generation priorities.

"Those need to continue to be tested but taking the actions with capacity already situated in fleet, as well as the relative lack of vessel ordering activity over recent years, just give us some confidence that this situation is here to persist at least for some time longer.

"We've now seen year-on-year margin progression three years in a row for most liners and basically almost everybody. That shows you a building track record of managing margins in all types of scenarios."

In terms of the ultimate end performance, Mr Glynn said there was "more discipline, more successful capacity management and greater levels of profitability management from the liner sector".

He dismissed fleet expansion or even fleet modernisation in favour of improved technology.

"I think that digitisation is a more worthy focus for a lot of liners using cash to invest in better technology, better processes that can reduce costs that can increase revenues that can produce a stronger, maybe more reliable relationship with key partners in the supply chain," he said.

As for the future, "management teams will be increasingly thoughtful about what they want, whether it's the second half of 2021, or indeed 2022 or beyond, to look like".

"They currently have the time to strategise and make some decisions around that, which has ramifications for costs as well as capex management.

I think to the end-to-end strategy perspective, it buys time to get that right."

He added: "This is a precious period that shouldn't be wasted."

Thorsten Meinke, DB Schenker board member for air and ocean freight, said there had been some "significant" disruption in the ocean business in the past year.

That had brought "rocket-high rates" and a lack of reliability in meeting schedules and even failure to load booked containers.

Mr Meinke does not see the volatility of the business changing much. Indeed, his advice is to embrace volatility as the new normal.

"Accept your volatility and the more volatility you have as a customer, the less predictability do you have, the more you should be ready for a voluntary rate," he said. "I think that's how it's redefining the future."

He noted that the lines are indeed making "good money now, but well, everybody's in business to make money".

Mr Meinke said: "We are in the middle of a redefinition of who buys where. In the past, if you had a nice brand name and large volume, you always have been attractive to go to a carrier direct. What's coming now is everyone, shippers and also the carriers, look [around] much more."

He said the model is "moving away from buying the best rate to buying capacity" because the logistics cost are "irrelevant" for most commodities towards the total selling price.

Instead, "one or two per cent more could significantly improve the quality of availability of these products in the stores. And I think this is where it's going to."

IN OTHER NEWS:

BIMCO decries impossible IMO efficiency rule changes

PROPOSED regulatory changes will create an "impossible mission" for shipowners and could even increase emissions, BIMCO's deputy secretary-general has warned.

Lars Robert Pedersen said requiring ships to improve their operational efficiency year after year would see companies "quickly run out of options" as they chased diminishing efficiency gains.

The International Maritime Organization recently approved changes to Marpol Annex VI to require ships to improve their carbon intensity indicators.

Industry pledges to raise mental health awareness

THE UK's maritime industry has pledged to make a positive mental health difference through awareness, action and additional support.

The pandemic has had a particular negative impact on seafarers, who have had to work beyond their contracts because of restrictions in travel imposed by governments.

The Maritime UK initiative is backed by the Royal Navy, industry chiefs and UK shipping minister Robert Courts.

CMA CGM bolsters Mediterranean port presence with Spanish deal

FRANCE's CMA CGM has further expanded its Mediterranean port presence with a deal to buy a stake in Spain's Total Terminal International Algeciras.

The move, through its terminal arm CMA Terminals, is the company's second foray in the region in a matter of weeks after agreeing a deal with the Egyptian government to manage and operate a new multipurpose facility in the port of Alexandria.

TTIA was formerly part of the now defunct Hanjin Shipping's ports portfolio before it was acquired by fellow South Korean carrier Hyundai Merchant Marine in 2017.

UK ports look to government for shore power support

UK PORTS are looking to the government to assist with the development of shore power installations for ships as they anticipate increasing pressure to achieve net zero emissions.

A report by the University of Manchester's Tyndall Centre for Climate Change Research revealed that there is an appetite for the growth of UK shore-power to reduce pollution and greenhouse gas emissions at ports.

"Participants were clear that they see the global and national policy direction for shipping as one-way: there will only be growing pressure for the sector to reach net-zero and to improve air quality," the report, based on interviews with industry stakeholders, said.

Sri Lankan port launches wholesale bunker supply service

SRI Lanka's Hambantota Port has launched a wholesale supply service of marine bunker fuels backed by Chinese state oil major Sinopec.

Hambantota International Port Group, operator of the harbour on the southern tip of the island country, said it strategic partner Sinopec Fuel Oil Lanka has sold its first cargo to local bunker supplier Lanka Marine Services.

The very low sulphur fuel oil was later supplied to 158,574 dwt crude oil tanker *Suez Hans* (IMO: 8359095), which is en route to the Suez Canal from Chennai in India.

Tanker linked to Lim family arrested in Singapore

A TANKER linked to troubled Singapore tycoon OK Lim's Hin Leong Trading oil company has been arrested in Singapore.

The 108,900 dwt *Ocean Pegasus* (IMO: 9388778) was detained after German lender Hamburg Commercial Bank filed a claim with the Singapore court.

The tanker, which arrived in Singapore on February 23, Lloyd's List vessel tracking data showed, is one of two in Xihe Holdings' fleet pledged to $31m of vessel loans from the bank, a court filing showed.

FSL sells another product tanker

FIRST Ship Lease Trust is continuing its fleet clearout as it counts a small net gain from flipping a pair of product tanker newbuildings.

The Singapore-listed trust said that it has clinched a new deal with an unidentified buyer to sell the 14-year-old *FSL Osaka* (IMO: 9354519), one of two medium-range tankers it employs through the Hafnia MR Pool.

Details of proceeds from the sale of the Japan-built product tanker will be made public after completion of the disposal, it said.

Classified notices follow

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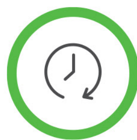

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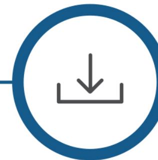

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