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Suez closure likely to lead to 'a spider's web' of claims

EXTENSIVE LITIGATION IN multiple jurisdictions is likely to result from the unexpected closure of the Suez Canal in the wake of the *Ever Given* grounding, as cargo interests seek to dispute the value of their claims, a US lawyer says.

John Ellison, partner at the Philadelphia office of law firm Reed Smith, pointed out that many companies were impacted by the delay and rerouting of vessels, with up to 400 ships tailed back at one point.

His comments come after Lloyd's List established last week that both Japanese owner Shoei Kisen and Taiwanese charterer Evergreen have applied for in rem writs against the vessel in London, which is likely to be the venue for any dispute arising from the charterparty.

Many of the affected companies will have carried trade disruption policies and their own first party coverage, which pay out on contingent losses and not solely on damage to property.

"That's the next layer after you deal with the in rem proceedings over the direct loss," he said. "The spider web gets bigger and the parties whose goods were on the vessels are also dealing with their own impacts and losses, and that will lead to a second layer of insurance claims."

The jurisdiction will depend on where the goods were headed and where the assureds are incorporated. The tendency will be to litigate over the most expensive claims.

"Where these things get into a dispute often is how you value the loss, especially when you're talking about a lost revenue claim or lost income. There's never a black and white answer to that question. Accountants, just like lawyers, are good at coming up with different ways to argue about things."

Insurance companies may in their turn claim against Evergreen or other entities, he noted.

Meanwhile, logistics marine mutual TT Club has warned of other potential consequences, after many ships opted for passage around South Africa's Cape of Good Hope while the canal was blocked.

Mike Yarwood, the club's managing director for loss prevention, said that beyond the delay to cargo on board ships affected, there will inevitably be knock-on effects for those involved in discharging the containers at destination, as well as for final mile delivery carriers.

"While the immediate impact may be a lack of cargo arriving when expected, presenting market supply challenges, it is when the cargo does start to turn-up that further potential risks emerge," he added.

The situation will also aggravate the existing imbalance of container equipment, especially on east/west routes, as laden containers are tied up and availability to reposition to shipment areas has diminished.

There is also a heightened risk of theft at ports and freight depots, which will necessitate greater focus on security.

"Whether it simply be at an overspill holding or storage area, or temporary warehousing, wherever and whenever cargo is not moving, it is more likely to be stolen. Due diligence, undertaken to ensure that any third-party provider of storage is adequately resourced to meet these demands, is a prudent step to take in these circumstances."

Driver shortages are already expected to soar through 2021, particularly in Europe, as highlighted by a recent International Road Transport Union survey.

This will exacerbate the difficulties in delivering import cargoes and picking-up consignments for export.

The canal itself appears to have bounced rapidly back from the incident, according to statistics produced by Leth Agencies, a prominent Egyptian ship agency.

De facto total closure was only witnessed on four days, March 24 to March 28. The number of transits in March 2091 was 1,479, a 9.7% decline on March 2020.

Delays expected as Suez cargo influx hits ports

THE 1.9m teu of containerised freight held up by the recent closure of the Suez Canal for six days is about to make its way towards ports in northern Europe, adding further headaches to already congested supply chains.

Figures from freight visibility platform project44 indicate that cumulative delays for ships affected by the blockage run to 1,017 days, with large amounts of cargo heading to ports in the coming days.

According to the company's port delay tracking, the influx of ships will also exacerbate port delays when measured in days.

"With delays on major trade routes like Shanghai — Rotterdam already close to the one-week mark — a worrying increase over 2020, when median port delays on the same route were 2.79 days," it said.

Major ports such as Singapore face an influx of more than 370,000 teu of capacity that is en route to the port. There are already 83 vessels, representing almost 300,000 teu, already alongside or at anchor as of April 12.

In Europe, 15 ships comprising 196,600 teu are due in Rotterdam over the next week. These will join 85 ships already in the port or waiting to enter.

Even New York was still bracing for increased volumes, with 76,500 teu either having arrived or still inbound following the *Ever Given* casualty.

"The Suez Canal incident brings home the message that shippers must be prepared for unexpected disruptions in their supply chain," said project44 vice-president Josh Brazil.

Other routes where delays are on track to get worse include Shanghai-New York, where the median March delay was 8.05 days (up from 1.09 days in March 2020); Shenzhen-Hamburg, where median delays last month were 9.23 days (up from 3.52 days in March 2020); and Shenzen-Newark, where median delays reached 12.92 in March (up from 0.29 days in March 2020).

WHAT TO WATCH:

Meadway fleet divided as brothers go separate ways

COSTAS and George Dellaportas, scions of Meadway Shipping & Trading founder Dionysios Dellaportas, have separated the family's fleet and will continue with independent dry bulk shipping outfits.

It is understood that the decision was taken not too long after their father's death in July 2019.

George Dellaportas has taken two ultramaxes, a supramax and a handysize bulker from what previously had been a jointly-run fleet of nine vessels

These have been put under newly established Meadway Bulkers, which has already grown to six bulkers with the addition of the 2020-built ultramax *Maximos* (IMO: 9883027) and the 2019-built handymax.

Both vessels were built by Imabari and came from the fleets of Japanese owners.

Meadway Bulkers is projecting itself as a "boutique" dry bulk company with a modern fleet and an in-house chartering affiliate, Delaway Maritime, has also been established.

Meanwhile, Meadway Shipping & Trading remains under the control of brother Costas Dellaportas.

The original company, established in 1988, has kept a kamsarmax, an ultramax, two supramaxes and a handysize vessel.

In a statement clarifying the split, the company said that family members had decided to "move forward by going their separate ways" and that its fleet was being expanded, with three additional bulkers due in the coming weeks.

Meadway Shipping has acquired the 11-year-old ultramax *Ultra Prosperity* (IMO: 9426702) from Nagashiki Kisen. The vessel is due to join the fleet by next month at latest and will be renamed Luna Rossa.

In July, the company is scheduled to take delivery of two ultramax newbuildings from Japan. The vessels are the 64,000 dwt *Dominator,* constructed as hull 140 at Imabari Group yard Shin Kasado Dock, and the 63,800 dwt *Ability,* hull 6111 at Shin Kurushima.

Meadway Shipping's head office in Greece is due to move into new premises in the south of Athens next month but is otherwise operating "as before", along with its overseas offices in Singapore and Dubai, the company said.

The Singapore offshoot dates from a decade ago and signalled the family's move to establish itself as a significant dry bulk operator, with up to 45 vessels or more chartered in at any one time.

While both brothers appear wedded to quality operations with modern tonnage, Meadway Bulkers has gone a step further and declared itself uninterested in secondhand acquisitions.

Instead, it will concentrate on contracting and building new vessels, according to its website.

There has been no suggestion that the split is anything other than amicable. Greece's predominantly family shipping culture has regularly seen siblings successfully go their separate ways, because of either divergent business visions or generational planning considerations.

ANALYSIS:

IMO to expand leadership circle

THE INTERNATIONAL Maritime Organization Council is a step away from the biggest expansion in its history.

The IMO Council, the 40-member state body that governs the organisation, has given approval for its enlargement to 52 members. It also approved an extension of terms of its members from the current two years to effectively four years.

Two-thirds of the IMO Assembly, the body that represents all 174 IMO member states, will need to adopt the council changes at its meeting in December.

The IMO Council is responsible for deciding on how the IMO works, but does not make decisions on safety and environmental issues, matters that are left to relevant IMO committees to decide.

The expansion is part of wider IMO reform, first launched by Australia almost three years ago, that has sought to offer greater representation and transparency in the IMO and that has already culminated in changes such as greater coverage freedom for media attending IMO meetings.

According to the changes approved by the council, its members will serve until the end of the next two consecutive regular sessions of the assembly, which normally occur every two years.

After those four years, members will be able to seek re-election.

The council was set up in 1958 and comprised 16 member states. Its last expansion was in 2002 from 32 member states to 40.

Though each Council member holds one vote, the Council comprises three separate categories; ten member states with the largest interest in providing international shipping services make up category A and ten more states with the largest interest in international seaborne trade each are in Category B.

Category C consists of 20 countries "not elected under A or B above, which have special interests in maritime transport or navigation and whose election to the council will ensure the representation of all major geographic areas of the world", according to the IMO.

The changes would mean that categories A and B would expand to 12 member states each and category C to 28 countries.

Aside from changes to its structure, the council also approved that Arabic, Chinese and Russian will be added as authentic texts of the IMO Convention, joining English, French and Spanish.

MARKETS:

Pacific Basin says dry bulk demand keeps apace

PACIFIC Basin, an owner and operator in the smaller-sized bulk carriers, said demand to transport dry bulk goods has remained strong, leading it to enjoy the best quarterly time charter equivalent rates in 10 years.

Its handysize fleet earned $10,950 per day, while its supramax vessels generated $14,630 per day in the first quarter of this year, the Hong Kong-based company said in a trading update. That is a "significant improvement" over its 2020 levels.

So far in the second quarter, it has achieved an average of $16,100 per day for its handysizes and $18,000 per day for its supramaxes.

Given breakeven levels of $8,720 and $10,120, respectively, including G&A overheads, its current core fleet of 91 handysizes and 41 supramaxes that are owned and long-term chartered-in are now "generating attractive returns", it said.

Despite a slight recent softening in spot rates, the company expects a stronger market in the second half of the year as dry bulk freight continues to benefit from "a broad-based increase in demand for commodities".

Preliminary data shows that dry bulk volumes loaded in the first quarter grew 9% versus the same period last year, driven mainly by strong Chinese demand for imports and global grain trades, Pacific Basin highlighted.

Global grain loadings in the first three months of this year rose 15% year on year, as record high US soyabean and corn exports in late 2020 continued into 2021.

"As the US soyabean export season now winds down, it is encouraging to see larger corn volumes than in previous years, the South American grain export season starting to ramp up, and significant demand again coming from China," it said.

Loadings of selected minor bulks in the first quarter also increased 11% year on year, with strong growth in construction materials such as logs, steel and other breakbulk cargoes, which found cover in bulkers as container rates surged, it added.

Iron ore loadings gained 9% on year, due in part to a surge in Indian demand for coal in response to a particularly cold winter.

"Due to Covid-related national travel restrictions, industries in China did not fully shut down as they traditionally do for the lunar new year holidays, which also contributed to the unseasonably strong Chinese dry bulk demand in the first quarter," the company said.

The sharp increase in spot rates in January to March was indicative of a tightening supply-demand balance, it said.

Although uncertainties related to the pandemic, geopolitical and the supply-side remained, a "vaccine and stimulus-powered support of economic activity" combined with lower dry bulk fleet growth made it optimistic about the freight market this year and beyond.

The company has taken delivery of two of the five modern ultramax ships it committed to buy last November and in February. The remaining three are expected to join its owned fleet during this quarter, along with a modern handysize it agreed to purchase earlier this year.

Following delivery, it will own 117 bulkers. Including chartered ships, it had an average of 259 vessels on the water in the first quarter of 2021.

MPC Container Ships sees strong start to 2021

OSLO-listed MPC Container Ships — which warned it was on the brink of bankruptcy in the past year — has issued an upbeat trading update, citing strong trade volumes, rates and prices in the wake of market disruption from the lockdowns in key global economies.

Charter rates and average period have increased significantly as the segment bounces back from the pandemic, with idling reduced to very low levels and availability negligible for the coming months.

Following the charter rate surge, secondhand prices and transaction volumes are considerably up, although prices still lag behind charter rate improvements.

Container line profitability is historically strong, with operators continuously raising earnings expectations, it said.

The company has divested three smaller vessels with an average of 1,100 teu capacity and 16 years average age, and acquired one 2007-built 3,500 teu unit.

The year to date has seen the conclusion of 25 fixtures, mostly in the segment above 2,000 teu.

The ships were fixed at an average charter rate of $16,650 per day per vessel, with an average duration of 16 months. Some 14 fixtures are expected during remainder of the second quarter.

Year to date fleet utilisation has so far topped 99%.

Japan Club loses tonnage as loss record deteriorates

JAPAN Club saw its loss record for ocean-going vessels worsen significantly in the 2020 policy year, and also experienced a net outflux of tonnage, the Tokyo-based marine mutual said.

The International Group affiliate's underwriting performance was also hit by two large claims exceeding $10m, a rising level of group pool contributions and pandemic-related claims.

While the first half of the year clocked up a deficit, the claims trend thereafter moderated, leaving it in surplus for the year overall.

Coastal vessels fared better, with only one claim in excess of ¥50m ($458,000), making for what the club described as a calmer year than previous periods.

Ocean-going vessel members were hit with a 10% general increase and a higher standard deductible for the 2021 policy year, and also faced tougher ship-by-ship pricing, leading to some cancellations. Coastal operators avoided a GI for a 10th successive year.

The club started the 2021 policy year with a book of 2,211 ocean-going vessels aggregating 94.6m gt, down by 1.6m gt. The coastal vessel book was broadly stable, at 1,876 totalling 2.6m gt.

However, it said it entered the 2021 renewal round with a focus on improving finances rather than maintaining volume.

IN OTHER NEWS:

Golar LNG chief executive Iain Ross resigns
GOLAR LNG chief executive Iain Ross is stepping down from his position.

The company, which owns and operates 27 vessels, said Mr Ross had handed in his resignation. It did not provide further details.

"The board of Golar LNG will immediately start the process to recruit Mr. Ross's successor," Golar LNG said in a statement.

Antarctic emergency plans in spotlight after supply ship fire
THE Maritime Union of Australia has accused the Australian Antarctic Division of lacking a contingency plan after fire damaged a ship in the past week.

The Bahamas-flagged, 2017-built, 7,228 dwt *MPV Everest* (IMO: 9769130) reached Fremantle on April 13, a week after the port engine room fire destroyed two boats on its deck.

None of the 109 passengers and crew were injured and the fire was quickly put out. The Australian Transport Safety Bureau is investigating the cause.

DNV to target crew wellbeing in safety audits
DNV said it will focus attention on seafarer health, working, and living conditions in safety management audits.

The move comes in response to the challenges brought by the coronavirus pandemic on seafarer physical and mental health.

Georg Smefjell, the group's head of maritime management systems services, said a separate audit protocol had become necessary because the problem of crew repatriation over the past year had put seafarers — who were already living and working in relatively confined spaces for extended periods — under increased mental stress.

Navios Acquisition agrees loan for up to $100m from Angeliki Frangou-linked entity
TANKER owner Navios Maritime Acquisition has clinched a loan for up to $100m from chairman and chief executive Angeliki Frangou through a subsidiary of her private company N Shipmanagement Acquisition Corp (NSAC).

According to a statement, New York-listed Navios Acquisition has so far drawn down $18m.

The two-year loan, bearing interest of 11%, gives Ms Frangou's company an option from August onwards to acquire equity in Navios Maritime Midstream Partners, a Navios Acquisition subsidiary owning 25 long-range and medium-range product tankers.

U-Ming seals first sustainability loan to finance LNG dual fuel bulk carrier
U-MING Marine Transport Corporation has secured its first sustainability-linked loan to fund the purchase of a liquefied natural gas dual-fuel bulker.

The $45m loan will be provided by Taiwan's E.SUN Commercial Bank and the proceeds will be used to finance the LNG dual-fuel Tier III 190,000 dwt bulker which has been ordered on the back of a 10-year charter by Anglo American, the company said.

Offen Group appoints Arnt Vespermann as chief executive
FORMER Hamburg Süd chief executive Arnt Vespermann is to take the helm at German boxship owner Offen Group.

He will take over day-to-day operations from Offen Group's founder, Claus Peter Offen, who will remain as chairman of the company's supervisory board.

"I am very happy that with Vespermann I have found a highly recognised expert of the maritime industry for my company," Mr Offen said in a statement.

Pan Ocean to build LNG bunker vessel for Shell charter

PAN Ocean Co, a South Korean shipping line, has won a long-term time charter for a liquefied natural gas bunkering vessel from Shell.

The deal, valued at $55m, is for an 18,000 cu m tanker to be built at Hyundai Mipo Dockyard. It will go on charter with Shell from May 2023.

The time charter is for a two-year firm period plus two options to extend up to a total duration of eight years, Pan Ocean said in a statement.

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