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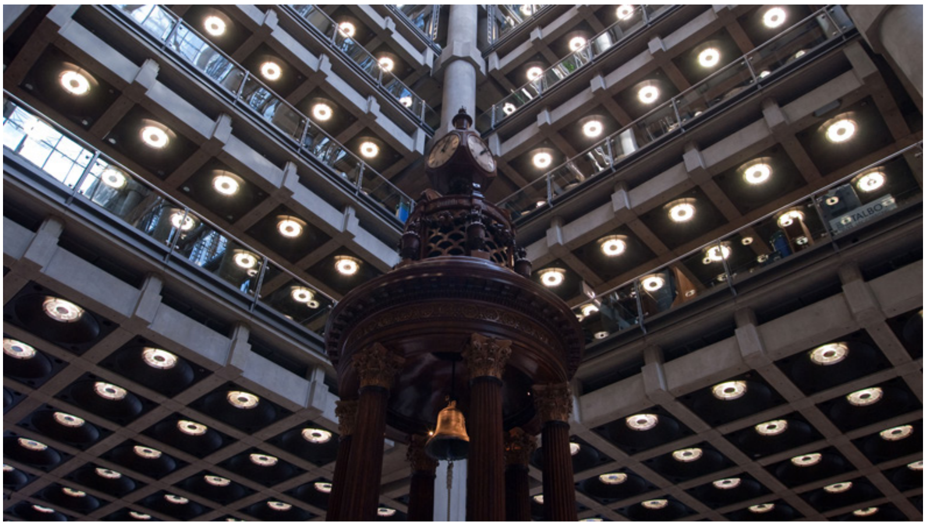
Lloyd's mulls axing support for LOF salvage contract



LLOYD'S HAS PLUNGED the survival of Lloyd's Open Form into fresh doubt after floating a proposal to shut down the Lloyd's Salvage Arbitration Branch.

The branch provides the support framework for LOF, using a panel of London maritime arbitrators and carrying out a range of other tasks including collection of security for salvage operations undertaken by it.

The move comes against a background of reduced usage of the world's oldest and most trusted emergency salvage contract, fuelled by continuing aversion to it from various quarters of the insurance industry that deem it to be too costly.

A recent Lloyd's internal review has identified the branch, which is part of Lloyd's Agency department, as "no longer considered core" to its business.

In an April 23 message to the members of the Lloyd's Salvage Group representing various stakeholders, Lloyd's said it was considering whether to stop the service and put it in run-off later this year.

However, recipients — including members of the Scopic Committee — have been given the chance to submit feedback on the proposed closure.

Some recipients were said to be "in shock" after learning of the proposal.

Martin Hall, head of marine casualty for law firm Clyde & Co. and secretary of the Admiralty Solicitors' Group (ASG), which is represented on the Lloyd's Salvage Group, said that there would be a strong reaction, although Lloyd's "did not leave very much time for comment".

The ASG is expected to be among several bodies making presentations to Lloyd's next week before the May 7 deadline for feedback.

"It raises many questions," he said when contacted for comment. "There is the administration side that the SAB does and conceivably you might be able to find someone else to take on some of those tasks.

"But then it is also a brand and it is questionable that Lloyd's would want the reputational risk of allowing another party to administer LOF.

"So, it does bring into question whether LOF can continue if the branch is closed. It could be a final nail in the coffin of LOF," Mr Hall said.

"The LOF system has developed over more than a century and so it is not only the administration of the system that will provide difficulties but you have the expertise of the arbitrators and the trust in the system that will be very difficult, if not impossible, to replace."

The International Salvage Union verified it was among those approached for feedback on the future of the branch.

"ISU promotes the use of the Lloyd's Open Form and values the benefits it offers to shipowners, insurers and salvors. We are currently considering our response to the consultation," said the ISU's secretary-general, Roger Evans.

Salvage sources left little doubt that the sector had been rocked by the development.

"This move has come as a shock to everyone in the marine sector," said one who was approached by Lloyd's List for comment.

LOF usage has been crumbling in recent years, with ISU members handling just 34 cases last year, down one from 2019 and down from 55 in 2018. The aggregate number of services rendered under all types of contract has also been reducing annually, though.

Meanwhile, according to the Lloyd's website, total salvage awards paid out under the system hit a historic low of just $3.5m in 2018, the last year for which data was included.

Lloyd's List has been told that some feedback being readied for next week will warn of widespread harm if Lloyd's dumps LOF.

"We are talking about a contract that has been instrumental in maritime safety," said one group member.

"It may lead to more casualties and then there will be a knock-on effect on the reputation of the Lloyd's market, not to mention London's credentials as a maritime and legal centre," he said.

WHAT TO WATCH:

Owners and unions hope to ease tensions after minimum wage talks collapse

TALKS over a rise in the global minimum wage for seafarers have collapsed at the International Labour Organization in Geneva, with owners and unions blaming each other.

But the two sides told Lloyd's List they hoped the row would not imperil the relationship built up during the pandemic and crew change crisis.

Shipowners had offered a 3% pay rise over three years, but unions had wanted at least a 6.5% rise from next year.

The International Transport Workers' Federation, which represents seafarers, pulled out after two days, branding the shipowners' offer a real-terms pay cut.

Shipowners had proposed a rise from $641 per month to $645 from January 1, rising to $648 in 2023 and $660 from 2024.

But the unions wanted the sum increased to at least $683 a month starting from next year.

“Unfortunately, the seafarers’ representatives rejected a generous offer from the shipowners in these unprecedented times,” said International Chamber of Shipping employment affairs director Natalie Shaw.

“We went further than we had anticipated but the offer was still rejected. However, our door is always open.”

The ICS said the result meant able seamen were now not entitled to a rise in their minimum wage for two years.

The ITF responded by saying shipowners were to blame for the failure of the talks and accused them of “an astounding lack of self-awareness” and respect for seafarers.

The two sides’ negotiating positions were based on different interpretations of an ILO formula — based on the cost of living in 53 countries and the fluctuating US dollar — used to calculate the minimum wage.

The union argued its $683 figure was based on newer cost-of-living data. It accused shipowners of trying to “blow up” the formula, vowing to confront shipping companies ‘head-on’ to set wages unilaterally.

The ILO, a UN body, sets the minimum wage to provide a safety net for seafarers, but many are paid more. Separate wage talks are held at the International Bargaining Forum, which next meets in September.

A source on the shipowners’ side called the union demands unrealistic in a year when costs had gone “through the roof” because of the crew change crisis. The source added the ILO minimum did not include guaranteed overtime and other mandatory payments.

They said the seafarer safety net had increased from $618 a month to $625 on January 1 last year and from $625 to $641 the same day this year. “Not even doctors and nurses got this in the UK,” they said.

Shipowners have paid for repatriation flights, vessel diversions to crewing hubs plus extra testing and quarantine costs for sign-on crew.

But the unions pointed to booming markets and rising profits for companies like Maersk to argue companies could afford the rise.

ITF spokesman Mark Dickinson said the shipowners’ proposal exposed “their long-term strategy to undermine the social dialogue that has been so critical to the success and stability of this industry for years.”

He said this threatened the co-operation built up between seafarers and unions during the pandemic.

“We’ve heard time and time again from shipowners and their representatives that they care about the seafarers, that seafarers are ‘vital’ and ‘critical’ to our industry and the global supply chain,” he said.

“But the moment it comes to recognise the contribution of seafarers and value them practically, by respecting institutions most fundamental to seafarers’ welfare and delivering a modest real wage increase — the shipowners show their true colours.”

ITF Seafarers spokesman Fabrizio Barcellona said the two sides had worked together on the crew change crisis and hoped to show joined support for seafarers going forward.

OPINION:

Shipping ignores the human element at its peril

MARK O’NEIL, president of InterManager, has a lawyer’s way of cutting through the guff.

In his opening remarks on a Capital Link panel session last week he warned that companies failing to recognise the importance of the human element would lose out.

In his opinion, they would suffer even more than companies failing to recognise the importance of digitalisation.

“I think the human element is set to be a, if not the, most important factor in our personal and business lives as we deal with the final stages of this pandemic,” he said.

The pandemic has changed many aspects of shipping, Mr O'Neil opined. There has been a "paradigm shift in the employer-employee relationship," such that "the balance of power has certainly shifted in that relationship to a much more even playing field."

Organisations that recognise the importance of people and this shift in the balance of power will benefit — through greater employee identification, communication, engagement of the employees in the business, "and, dare I say it, in the ownership in that business."

This emphasis on the human element was underlined today in an Ocean Technologies Group webinar, focusing on competency management.

In a VUCA (volatile, uncertain, complex, ambiguous) environment, in which 'static' regulations attempt to maintain standards for a 'dynamic' shipping industry, continuous professional development for ratings and officers at sea and management teams on shore is critical to success.

The seafarer is the key stakeholder in the entire competency management process, observed Capt Sanjeev Soni; management buy-in is critical.

Wallem Group director of training Yvette De Klerk urged the senior team ashore to take professional development, career pathways and succession planning seriously, otherwise the gap between STCW (the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978) and what seafarers actually do every day will become unbridgeable.

Employee competency — a contested term: why are airline pilots highly trained but seafarers only competent? — influences vessel safety, performance and efficiency.

And yet the thousands of webinars, forums, podcasts, and interviews that concentrate on the critical issues of decarbonisation and digitalisation appear to live in a parallel universe where seafarers and shoreside management are invisible.

If the key stakeholders in decarbonisation are financiers, charterers, regulators and consumers, why are seafarers left out? If much of the industry fails to recognise the importance of the human element, it won't just be the STCW chasm that becomes unbridgeable, the entire digitalisation and decarbonisation processes will be held back.

The pandemic has given us all the opportunity to think about what is really important to us, both in our business and personal lives. What's really important is people.

"From a business perspective, people have moved from being regarded as an expense on the profit and loss account to an asset on the balance sheet. That's exactly how it should be," believes Mark O'Neil. "This refocusing of priorities, refocusing on people is perhaps the biggest change that has come about as a result of Covid."

It's time for the International Maritime Organization to celebrate 'the year of the human element.'

ANALYSIS:

Norwegian approach to safety chosen for K Line roll-out

JAPAN's 'K' Line has decided to extend its 'K'ARE safety programme across the group after four years of positive results at its UK business.

The 'K'ARE programme, which seeks to raise standards of organisational culture, safety, and performance, has used insight and training capabilities from SAYFR, a Norwegian safety culture company.

Its chief executive Johan Rostoft said it had developed a digital, scalable platform for the 'K'ARE programme using its own methodology and data.

Akihiro Fujimaru, the ship owner and operator's executive officer, said in order to achieve safe operation and continuously improve service quality, "we believe that a combination of technical and non-technical skills are necessary, developing an organisational culture that values openness, respect and care for each other."

He said that through the 'K'ARE programme, "everyone in the group both onboard and ashore will share our common societal mission and values, and collaborate towards a common goal of safety, high quality and environmental preservation regardless of title and background."

This would develop "a truly open culture where everyone can show leadership," he added.

Didrik Svendsen, a partner in SAYFR, took responsibility for the work with 'K' Line LNG Shipping (UK).

He said by analysing and improving the organisational culture throughout the company, the risk of occupational accidents could be significantly reduced.

"Recognising this," Mr Svendsen explained, "SAYFR was engaged by 'K' Line LNG Shipping (UK) back in 2015 to analyse the organisational culture and attitudes and look at how to be more proactive in terms of improving the internal relations between the ships and shore-based staff."

A key part of ensuring a mature organisational culture that positively impacts safety performance involved benchmarking and practical training that focused on eight core leadership behaviours.

Core values were identified, together with a set of business goals for 2020 and a roadmap to achieve them. Leaders both onboard and ashore were engaged and this helped to develop a more collaborative and open culture.

Trained members of 'K' Line's own staff are involved in the programme, which also makes use of a 2D/3D simulation game, hosted by Norwegian gaming company Attensi.

This builds on the concept of gamification to create an environment where reality and simulation merge to offer valuable training scenarios with the added element of motivational competition, achievement, recognition, and learning analysis.

The interactive models allow onboard staff to practice failure in a safe environment, which helps to build trust and collaboration within the organisation. This is important because unless failures are handled properly, they could develop into critical situations and accidents, Mr Svendsen said.

'K' Line LNG Shipping (UK) has been open on how the frequency of large technical breakdowns and incidents taking place before 2016 has seen a massive improvement.

However, the real value lies in proactively turning failures into learning and improvement before they escalate to business interruptions or accidents.

'K' Line LNG Shipping (UK) has seen a significant improvement in the number of near misses reported. Lloyd Swindel, Deputy General Manager, said that while near miss reporting had once been the responsibility of senior officers, "now [reports] are coming from a lot more members of the crew."

The decision to take the 'K'ARE programme across the 'K' Line group and the choice of SAYFR's platform was driven in part "by the fact that it offers measurable behavioural change through a digitalised platform, thus allowing us to shape culture at scale — and based on a culture that turns failures into something that benefits everyone," says Captain Fujimaru.

Mr Rostoft claims the SAYFR approach represents "a step-change in safety training."

"Creating a culture that is open to failure may sit uneasily with a maritime safety regime that is based on ticking the right boxes," he said. "But the industry needs to change its focus, to move beyond the culture of punishment to the positive safety-enhancing culture.

"We need to create a culture that embraces failure as the way to learn. Shipping has everything to gain from reducing major accidents."

MARKETS:

Container schedule reliability shows small signs of improving

CONTAINER shipping schedule reliability has shown its first signs of improvement but still remains well behind where it should be.

Carriers recorded a 5.8 percentage point monthly increase in reliability in March, but this still meant only 40.4% of ships were arriving on their planned arrival date.

"It seems the worst has passed," said Sea-Intelligence chief executive Alan Murphy. "That said, there is a long way to go to reach the levels of the previous years, as this was still the lowest schedule reliability for April in the 10 years that we have measured schedule reliability."

The number of vessels arriving on time was still 30 percentage points down on the corresponding month last year, he added.

The average delay for late vessels had also reversed its deteriorating trend, with the March 2021 figure improving on February by 0.79 days, despite still being down on last year's comparative figure, and still the worst recorded, with an average wait of 6.2 days.

"The average delay in the first quarter of 2021 was higher than the extraordinarily high delays caused by the 2015 US west coast labour dispute, and has also been the highest for each month in all months since April 2020," Mr Murphy said.

On the US west coast, vessels are still waiting having to wait at anchor before securing a berth alongside, although the number of vessels is now below half what it was at the beginning of the year.

Figures from the Maritime Exchange of Southern California show there were 23 containerships at anchor in San Pedro Bay as of April 27.

But it expects the number to rise again from Thursday as another 11 boxships arrive.

"Over the next three days, 15 vessels are scheduled to arrive and anchor and 20 vessels are scheduled to shift from anchor to a berth, so the total number of vessels at anchor should remain at elevated levels, aside from the ups and downs associated with the timing of arrivals and shifts from anchor to berth," said executive director Kip Louttit.

The vessel that has been waiting longest at anchor is Evergreen's 8,000 teu *Ever Legend* (IMO9604093), which arrived on April 16.

Evergreen holds the distinction of having the worst performance of all the major container lines, according to Sea-Intelligence's figures.

Only 29.6% of its vessel calls were recorded as on time.

The best performance came from Maersk and its Hamburg Süd subsidiary, which recorded schedule reliability of 48.7% and 45.9%, respectively.

Efforts to improve reliability have largely been thwarted by poor port efficiency, which has seen ships spending far longer alongside, as well as from the closure of the Suez Canal last month, which saw a number of containerships delayed by a week or more.

"Vessel port call durations have risen sharply from the third quarter of 2020," Drewry Supply Chain Advisors director Phillip Damas said in a recent webinar. "Port duration is now more than two standard deviations longer than normal.

"It is reaching critical levels of very poor productivity, which is what we see now with very significant port congestion which is lengthening supply chains, creating inefficiencies and huge costs."

He added that having 60% of vessels arrive late was "frankly disastrous".

"Container velocity is affected by congestion and driver shortages, and it is now taking as long as 100 days for a container to go from origin in China to Europe and back, twice as long as normal. This means you need many more containers to move a given amount of product."

US exporters call for action on container availability

HUNDREDS of agricultural export companies have signed a letter calling on the US government to take meaningful steps to resolve the challenges they face in finding containerised freight capacity.

The group, led by the Agriculture Transportation Coalition, urged Secretary of Transportation Pete Buttigieg to "utilise all existing authorities to remedy the challenges experienced by U.S. agricultural exporters".

"We are concerned with challenges imposed by vessel-operating common carriers, who are declining to ship US agricultural commodity exports from US ports, and imposing hundreds of millions of dollars of punitive charges already determined to be unreasonable by the Federal Maritime Commission," they said.

The complaint centres on the claim that carriers are failing to provide equipment and slots to exporters, in favour of returning empties to key head haul markets.

"Whereas shipping containers filled with imported goods are normally unloaded, sent to rural areas, filled with agricultural commodities and then shipped abroad, the lucrative freight rates paid by the import cargo, combined with congestion and delay at ports on our west and east coasts are leading carriers to immediately return empty containers to their overseas ports of origin," the coalition said.

It added that carriers were delivering massive volumes of imported shipments to US ports, then choosing to leave without refilling empties with US goods and products.

The Agriculture Transportation Coalition claims that with more than 20% of US agricultural production being exported, the significant hike in export cargo rates had led to an estimated $1.5bn in lost exports.

Carriers, however, remain caught in a bind between import and export priorities.

The shortage of containers in export markets in Asia is behind the current record-high freight rates shippers are having to pay, but part of the reason behind that shortage is delays in the inland supply chains that are slowing container turnaround times.

If agricultural exports were to be prioritised over returning empties, the market would likely become even more congested.

Nevertheless, the coalition claims the situation is exacerbated by carriers' failure to provide accurate notice to exporters of arrival/departure and cargo loading times, and then imposing "draconian financial penalties" on exporters for missing those loading windows.

The letter asks the DoT to determine how it could assist with the needs of US exporters in overcoming the challenges of shipping goods from the US.

"We need action now; not additional studies," the coalition said. "We ask the Department of Transportation to assist the Federal Maritime Commission in expediting its enforcement options."

Ship recycling halted as India diverts oxygen to health crisis

SHIP recycling activities in Alang, in India's Gujarat state, have come to a standstill due to a lack of supply in the country of industrial grade oxygen used in cutting iron and steel.

The government is scrambling to get oxygen tanks to hospitals where coronavirus patients are dying due to the surge in cases in the country. This has led the authorities to redirect all industrial-grade oxygen for medical use to battle the virus.

"Activities in Alang have come to a halt with no hot work being done as there is no oxygen supply," said Anand M Hiremath, lead co-ordinator for cash buyer GMS' sustainable ship and offshore recycling programme in Alang.

"Only few workers are engaged in cold work, mainly the recovery of equipment, pipes and reusable materials from ships."

There are about 25 plants across Alang that produce and supply oxygen in cylinders to support ship recycling activities. But in the past week, inventories from 15 of those plants have been diverted for government use.

Around 90% of the value of ship recycling comes from steel and as such, there is no ship recycling activity that can be carried out without oxygen supply, said Hitesh Vyas, vice-president Middle East and green co-ordinator at Wirana Shipping.

"Owing to the shortage of oxygen, rolling mills are also out of production, [meaning] there is no demand for steel plate which is produced from ship recycling. We only see trade in steel scrap as it can still be used by furnace plants."

Rohit Agarwal, managing partner at Alang-based Guideship Consulting Services, said Pakistan and Bangladesh led the ship recycling market, luring owners of ageing vessels to cash in with soaring demolition prices.

A variety of fuels such as propane, butane or natural gas are used to dismantle vessels, along with liquefied or compressed oxygen. The liquefied oxygen acts as an oxidiser, while the fuels help in cutting iron and steel parts easily.

Still, "it is somewhat surprising to see end buyers looking to buy vessels given that vessel deliveries, customs services for boardings and clearances, and repatriation of crews as well as flights out of India are an ongoing uncertainty," cash buyer GMS said in its latest report.

"Certainly for 'as is' deliveries, other countries are now shutting borders for Indian crew, placing many previously agreed deals in jeopardy."

IN OTHER NEWS:

Shipowners face pressure to back $100 carbon levy

ENVIRONMENTAL groups are urging shipowners to drop their support for a global decarbonisation research and development fund in favour of working on a market-based measure that could make shipping emissions around $90bn more expensive each year.

Five environmental non-governmental organisations want the shipping industry to support a recent proposal to the International Maritime Organization for a $100 per tonne of CO2 levy on shipping by 2025.

The move follows last week's message by eight industry groups to the IMO that it should begin discussing potential market-based measures as soon as possible.

World's largest box maker boosted by order spree

A BOX buying binge has boosted the sales volume of state-owned China International Marine Containers.

The Shenzhen- and Hong Kong-listed group, which is the world's largest container manufacturer, said a continued bullish liner shipping market has kept the demand for its products "at a high level."

It sold 450,800 teu of dry containers and 45,900 teu of reefer containers between January and March, an increase of 174% and 82.1% respectively on the year-ago period.

Matson boosted in first quarter by buoyant transpacific trade

MATSON, the Hawaii-based ocean carrier, reported a 39% increase in revenue in the first three months of the year boosted by a strong performance on its US-China services.

Consolidated first-quarter revenue was $711.8m compared with $513.9m in the year-earlier period, it said.

The sharp rise came from a near 220% jump in container volume out of China, led by the firm's China-Long Beach Express Plus (CLX+) and China Long Beach Express (CLX) services, driven by stepped up consumer e-commerce demand.

NYK teams with Akita on crew transfer project

SHIPPING group NYK is building up a crew transfer vessel business in support of Japan's push for offshore wind power generation.

It has teamed up with Akita Eisen KK, the only towing company in Akita prefecture, for the venture.

The partners will target work in the waters off the prefecture, which is the location of three of the four zones being tendered out by the Japanese government for offshore wind developments. The fourth zone is sited offshore in Chiba prefecture.

Classified notices follow

SEAGREEN WIND ENERGY LIMITED - THE ENERGY ACT 2004
NOTICE OF APPLICATION FOR SAFETY ZONE SCHEME DURING CONSTRUCTION AND MAJOR MAINTENANCE OF THE SEAGREEN OFFSHORE WIND FARM
THE ELECTRICITY (OFFSHORE GENERATING STATIONS) (SAFETY ZONES) (APPLICATION PROCEDURES AND CONTROL OF ACCESS) REGULATIONS 2007 – STATUTORY INSTRUMENT 2007 NO 1948

Notice is hereby given that Seagreen Wind Energy Limited (Seagreen) on behalf of Seagreen Alpha Wind Energy Limited (Company Number 07185533) and Seagreen Bravo Wind Energy Limited (Company Number 07185543), both having registered office at No. 1 Forbury Place, 43 Forbury Road, Reading has applied for consent from Marine Scotland as set out in the Energy Act 2004 and the Electricity (Offshore Generating Stations) (Safety Zones) (Application Procedures and Control of Access) Regulations 2007 (SI No 2007/1948) for safety zones as follows, for the previously consented Offshore Renewable Energy Installation known as the Seagreen Offshore Wind Farm, during the construction and major maintenance phases. The following safety zones are being applied for:

- 500 metre (m) 'rolling' safety zones at each Wind Turbine Generator (WTG) and/or its substructures and foundations whenever construction is ongoing (as indicated by the presence of a construction vessel stationed at the structure).
- 50 m pre-commissioning safety zones at each partial or complete WTG and/or its substructures and foundations, where construction is not ongoing up until the point of commissioning of the wind farm.
- 500 m safety zone around any WTG and/or its substructures where major maintenance is being undertaken during the operational phase (as indicated by the presence of a major maintenance vessel stationed at the structure, where "major maintenance" is as defined in the Electricity Regulations 2007 (SI No 2007/1948) – further details are available in the application document as per the below).

It is noted that this application is being made for the WTGs only – a separate application has been submitted for the offshore substation platforms. Further details are available in the safety zone application which is available for download direct from Seagreen at https://www.seagreenwindenergy.com, or alternatively from the Marine Scotland website at http://marine.gov.scot/ml/seagreen-alpha-and-bravo-offshore-wind-farms. Alternatively, a request to receive a hard copy may be made in writing to 1 Waterloo Street, Glasgow, G2 6AY. Any person wishing to make representations to the Secretary of State about the application should do so in writing to the Scottish Ministers, c/o Marine Scotland – Licensing Operations Team, Marine Laboratory, PO Box 101, Victoria Road, Aberdeen, AB11 9DB or MS.MarineRenewables@gov.scot, stating the name of the proposal and nature of their representations, not later than 28 days from the date, or latest date of this notice.

Fair Processing Notice

The Scottish Government's Marine Scotland Licensing Operations Team ("MS-LOT") determine applications for marine licences under the Marine (Scotland) Act 2010, the Marine and Coastal Act 2009 and section 36 consents under The Electricity Act 1989 (as amended). During the consultation process any person having an interest in the outcome of the application may make a representation to MS-LOT. The representation may contain personal information, for example a name or address. This representation will only be used for the purpose of determining an application and will be stored securely in the Scottish Government's official corporate record. Representations will be shared with the applicant and/or agent acting on behalf of the applicant, any people or organisations that we consult in relation to the application, the Directorate of Planning and Environmental Appeals should the Scottish Ministers call a PLI and, where necessary, be published online, however personal information will be removed before sharing or publishing.

A full privacy notice can be found at: **https://www.gov.scot/policies/marine-and-fisheries-licensing/marine-licensing-operations-team-privacy-notice**. If you are unable to access this, or you have any queries or concerns about how your personal information will be handled, contact MS-LOT at: **ms.marinerenewables@gov.scot or Marine Scotland - Licensing Operations Team, Marine Laboratory, 375 Victoria Road, Aberdeen, AB11 9DB.**