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Box Club closes after half a century as container shipping moves on

THE BOX CLUB, which provided a forum for the heads of the world's top container lines to meet in private, has quietly closed after almost 50 years.

In future, container shipping issues will be handled through associations such as the Washington-headquartered World Shipping Council.

Formally registered as the International Council of Containership Operators but universally known as the Box Club, the organisation was regarded as one of most exclusive and low-profile in the industry.

Membership was strictly limited to the presidents, chairmen and chief executives of leading ocean carriers who would meet twice a year for a mixture of both business and social gatherings.

"The Box Club has played in invaluable role in the history of our industry. We will draw on that history as we move forward to reinvent existing liner shipping industry organisations to meet the accelerating commercial and regulatory challenges of the future," AP Moller-Maersk chief executive Søren Skou said in statement to Lloyd's List.

Mr Skou chaired the ICCO from 2014 to 2020, one of only eight people to have held that position since the Box Club was set up in the early 1970s by the late Hans Jakob Kruse, who was head of Hapag-Lloyd at the time.

Mr Kruse felt that industry leaders should get to know each other and have a chance to exchange views behind closed doors at a time when containerisation was still in its infancy but starting to reshape the global shipping trades. But any conversations on sensitive competitive matters such as freight rates or market shares were strictly forbidden.

"As the industry has progressed, so too has the framework for discussions within the industry on technological, environmental, and regulatory matters," said Michael Scanlon, a partner with the law firm K&L Gates and counsel to ICCO. "We're proud to have played a role in representing the Box Club since 1973."

Operating under the auspices of the US Shipping Act and the Federal Maritime Commission's supervision, the Box Club enabled those with ultimate responsibility for the policies and actions of the respective carriers, to meet and exchange non-commercial information to facilitate long-range maritime industry planning, but lawyers were always on hand to ensure the meetings complied the law.

Nevertheless, the fact that neither the minutes of Box Club meetings, nor communiques, were ever published frequently aroused suspicion of collusion or anti-competitive behaviour.

In March 2017, a meeting in San Francisco hosted by Crowley Maritime president Tom Crowley was interrupted by US Department of Justice officials who served subpoenas on those present including Mr Skou, Mediterranean Shipping Co's Diego Aponte and CMA CGM's Rodolphe Saadé, among others.

However, it was never clear whether the investigation was in response to an official complaint, and two years later the case was closed on lack of evidence of any wrongdoing. The episode raised suspicions that it was more of a power struggle between the US Justice Department and FMC over who was ultimately responsible for shipping regulation in the US.

The pandemic has also been a setback for the Box Club whose members used to get together each March and September, with each one taking it in turns to be the host in their respective home countries. That meant many long-haul flights between Europe, the US and Asia.

Industry experts were usually invited to give presentations on key issues, such as infrastructure projects, regulation, the environment, or new technologies.

But there was also plenty of opportunity to socialise, with delegates invariably accompanied by their partners. Other trade bodies such as the now defunct Far Eastern Freight Conference or Trans-Atlantic Conference Agreement would hold separate meetings on the sidelines.

Initial membership of 12, representing European and Japanese lines, eventually grew to about 30 as newcomers entered the container shipping trades. But in recent years, consolidation has greatly reduced eligible members.

Although the Box Club preferred to stay right out of the limelight, it set up the World Shipping Council in 2000 to become the industry's public voice.

Ron Widdows stepped down as chairman of the WSC last year after 12 years in the post, with Rolf Habben Jansen, chief executive of Hapag-Lloyd, and Jeremy Nixon, chief executive of Ocean Network Express, elected co-chairmen.

WHAT TO WATCH:

Reinsurance exclusions limiting cyber cover from P&I clubs

EXCLUSIONS on the part of reinsurers have forced Steamship to restrict cyber cover for non-poolable risks to sit within retention levels, according to the marine mutual's head of reinsurance.

The comments from Rupert Harris — contained in the club's annual management highlights — come after another senior figure in the sector told a recent webinar that the cyber issue has now reached "considerable magnitude", prompting underwriters to look more closely at potential exposure.

Cyber security is rapidly shooting up the industry agenda after hacks at a number of major shipping companies, including Maersk, CMA CGM and HMM.

Other maritime concerns, such as the International Maritime Organization, Rina and Clarksons, have all also been hit.

The IMO has adopted a resolution requiring companies to demonstrate that cyber security is an integral part of their safety management system, no later than the next annual verification of their Document of Compliance.

As things stand, there is no exclusion in P&I cover in respect of liabilities caused through a cyber event.

However, liability cover alone leaves owners uninsured for the costs of restoring systems and data, and for losses where a vessel goes off hire or is unable to trade as a result of cyber attack.

Steamship has launched a product explicitly to plug some of these gaps, as well as providing access to expert assistance and free security awareness training for employees.

But even this cover is only in respect of events affecting an entered vessel and does not extend to shoreside offices or other property.

There is a $10m aggregate per fleet per policy year, as well as a cap of $1m per vessel per event.

In his section of the management highlights document, Mr Harris pointed out that while Steamship's own reinsurances had successfully been renewed, many reinsurers had introduced exclusions for both the coronavirus pandemic and cyber risk.

"Unfortunately, this meant the club had to similarly restrict the cover it could offer its members in respect of charterers and non-poolable risks," he said. "The club did offer members limited cover for Covid-19 and cyber risks within its retention levels."

Joe Hughes, chief executive of American Club, told a webinar organised by Capital Link last week: ``The general view is that, yes, these risks are of very considerable magnitude."

While the American Club had not had significant exposure so far, underwriters "will be looking very closely at their exposures going forward, more perhaps than they might have been inclined to do even two or three years ago," he said.

"Clubs will do their very best to provide the greatest levels of cover that are realistically available".

Thomas Brown, chief executive at marine insurer Shoreline, said many applications he received from companies were incomplete and lacked even the minimum security measures needed to get cyber cover.

Many shipowners maintain a false sense of security, and were complacent, since they had not yet been attacked themselves, Capt Brown said.

Steamship's management highlights document reports a jump in its combined ratio from 100% to 125% in the last policy, indicating a technical loss of $5 for every $4 of premium income, thanks to the impact of coronavirus and record level International Group pool claims.

Gross written premiums fell back to $284m, compared with $308.7m last time round, with an underwriting loss of over $59m instead of the small surplus recorded in 2019-20, according to the marine mutual's financial statements.

But this was mitigated by investment returns, finally resulting in an overall deficit of $4.28m and a small hit to free reserves, which fell to $511m.

Claims net of reinsurance recoveries came in at $256m, up by 3.7% compared with $246.9m recorded in 2019-20.

Steamship experienced three pool claims, two of which were coronavirus-linked claims from cruise operators, in which the club participated on a quota share basis, thus limiting exposure.

The de facto shutdown of the cruise industry will reduce subsequent exposure.

The third pool claim was a pollution claim resulting from loss of containers overboard.

Steamship saw 48 claims in excess of $250,000 in 2020, six fewer than in 2019. The total estimated exposure was just over $80m, a year-on-year reduction of $24.5m.

Guyana checks Winsome ways of Iran-linked tanker

GUYANA has become the latest identified registry from Caribbean, African or Pacific countries targeted by flag-hopping tankers engaged in sanctioned Venezuelan and Iranian oil trades.

A 2000-built aframax tanker *Winsome* (IMO: 9192260) moved to the registry earlier this month.

The tanker, which has been changed names four times and reflagged three times in the past 13 months, is the second of 160 vessels tracked by Lloyd's List shipping US-sanctioned oil from Venezuela and Iran without penalty to use Guyana's registry.

The private company running Guyana's maritime registry is investigating the tanker, according to New York-based United Against Nuclear Iran, an international non-profit organisation headed by a former US ambassador.

It has engaged in an extensive letter-writing campaign to flag registries, insurers and classification societies to expose the subterfuge fleet of tankers that are shipping Iranian energy commodities.

The India-headquartered International Maritime Safety Agency of Guyana, which runs the registry on behalf of the South American country on the Caribbean coast, did not respond to a request for comment.

Winsome is owned by Dubai-based Kader Management and Shipping Co DMCC, which has a further four elderly crude and product tankers engaged in subterfuge trades, according to data collated by Lloyd's List using Lloyd's List Intelligence data.

Flag-hopping — the repeated changing of registries, often alongside the formation of different companies and new names — is a cat-and-mouse game used by tanker owners to evade regulatory scrutiny and is listed by the US as a key deceptive shipping practice.

Owners target little-known African, Caribbean and Pacific country registries that provide little regulatory oversight or have any depth of maritime expertise. Management is mostly provided by private companies who are not based, nor connected, to the country of flag origin.

As much as 75% of tonnage identified by Lloyd's List as evading US sanctions and shipping cargoes of Iranian or Venezuelan crude is flagged with these registries.

Guyana joins Belize, Cameroon, Comoros, Cook Islands, Djibouti, Palau, Samoa, São Tomé & Príncipe, Sierra Leone, St Kitts and Nevis, Tanzania, Gabon, Honduras, Kiribati, Nauru, Palau and Togo as registering tankers used in sanctions-skirting trades.

Another tanker, *Escapade* (IMO: 9181534) joined Guyana's flag in November 2019 upon its sale to undisclosed owners in Dubai. Both tankers share the same Emirati technical manager, Safe Seas Ship Management FZE, in Sharjah.

That technical manager has seven tankers flying Cook Islands, Gabon, Guyana and Palau flags, Lloyd's List Intelligence data shows.

All the other tankers in the 98-ship flag are under 5,000 dwt.

Winsome has spent 10 of the past 12 months shipping Iranian crude to China, but since early May as been in waters off Fujairah, and later Sohar, well-known ship-to-ship transfer places for Iranian crude.

At least six tankers are confirmed as fraudulently registered as Samoa, Nauru and São Tomé & Príncipe do not have international registries.

Before *Winsome* joined Guyana, it had been flagged in Gabon and Panama since its sale in October 2020.

OPINION:

Would a master stop his ship if the crew are fatigued?

WHILE the link between fatigue and maritime accidents is well established, the industry's understanding of how to manage fatigue remains "primitive at best", *writes Richard Clayton*.

This was a key finding of a report from Safetytech Accelerator, an affiliate of Lloyd's Register Foundation, and the technology consultancy Thetius.

Fatigue is a physiological state of reduced mental or physical performance capability that can impair a seafarer's or shore worker's ability to carry out safety-critical duties.

Lack of sleep or prolonged wakefulness are the most obvious causes of fatigue, which has traditionally been managed by way of a work/rest hours monitoring system.

But this traditional method is open to blatant abuse. The World Maritime University's *Culture of Adjustment* study revealed last year that work/rest recording malpractices were widespread. It found that fatigue conventions are widely flouted and minimum safe manning levels are ignored.

In healthcare, aviation and the rail sector, a data-led approach to managing fatigue-related safety risks is much more advanced. For these sectors, a Fatigue Risk Management system seeks to achieve a "realistic balance" between safety, productivity, and cost.

The starting point is to accept that fatigue is an inevitable part of work, especially for shipping, which operates 24 hours a day.

What makes Fatigue Risk Management superior to a work/rest hours approach is that it is designed to share the responsibility for managing fatigue between management and the individuals involved.

There is already a range of wearable digital devices coming onto the market, measuring seafarer activity levels, heart conditions, blood-oxygen levels, and stress. Some of this technology can now be harnessed to a smartphone, which makes fatigue management cheap, non-invasive, and widely available.

Technology will enable seafarers and their employers to work together to manage risk, the Safetytech report comments, adding: "It is possible to stop workers who are cognitively impaired from doing safety-critical work."

Could that mean a master might 'stop' his ship to give his fatigued crew proper rest, thereby reducing the risk of an accident? Capt Matt Easton, a Liverpool pilot and expert in the human element, thinks not.

"On a ship with minimum crew, you can't mention fatigue," he observed on a webinar that accompanied the report. "Captains rarely take the decision to stop a ship because a crew is tired," although the towage sector has become strict as regards fatigue, "which has an impact when there are no tugs available" to handle an arriving ship.

Fatigue is vastly under-reported, Capt Easton said, but a master would not delay his ship if he fears he will be disciplined. There is pressure from the shore team and pressure from ports wanting to get ships alongside and away from berths.

So, while work/rest hours reporting is abused, data-led risk management will inevitably come up against an operating culture that is commercially driven.

The solution, as always, lies in the company culture.

If minimum manning levels are taken as standard, fatigue is likely to be managed by keeping it under-reported. If the operations team ashore is guided by the master's advice, a positive reporting culture, and data, fatigue-related risk can be managed to the satisfaction of all stakeholders.

Safety is less a function of technology than corporate culture.

ANALYSIS:

Logistics and airfreight underpin CMA CGM's transition to integrated transport group

CMA CGM has placed sea, air, and land transport at the heart of new campaign as it continues to transition from a conventional container shipping company to one providing a complete range of intermodal services.

Sustainability, digitalisation, innovation, and safety also feature prominently in the Better Ways initiative launched on Monday to underline the French group's evolution and transformation.

CMA CGM Group executive officer Tanya Saadé Zeenny described the commitments set out under its new signature as "a demonstration of what CMA CGM brings to the client and to the industry".

The family-controlled group has been one of the pioneers of containerisation over the past four decades as it grew to become a top-flight player. In an industry where service differentiation is often difficult, and freight markets regarded as commoditised, CMA CGM has established a strong brand as well as a reputation for agility, plus a keen eye for new business and acquisition opportunities.

CMA CGM chairman and chief executive Rodolphe Saadé wants to ensure the group remains at the forefront of the industry as it responds to a fast-changing global marketplace and corresponding shipper and forwarder requirements.

"Today, our group is evolving, growing and transforming very rapidly and becoming a world leader in both shipping and logistics," Mrs Saadé Zeenny told Lloyd's List. "We are committed to energy transition, to digital transformation, and to our customers and all our staff members, and all this is reflected through our new image, Better Ways."

The timing of the new campaign follows the acquisition of the Swiss logistics group CEVA just over two years ago, and the more recent move into air freight in early 2021. This enables CMA CGM to deliver a complete range of end-to-end services, including warehousing as well as all modes of transport, to give customers more choice than ever before.

"We can now offer more coherent logistics, land, sea, and air solutions," said Mrs Saadé Zeenny, whose father, Jacques Saadé, and uncle, Farid Salem, founded CMA CGM in 1978.

"This a milestone for the CMA CGM Group," she added. "It is our belief that better ways of doing business are possible."

The group signature is built around five strategic pillars: further expansion of shipping; efficient and seamless logistics services; innovation and digitalisation; solutions that are more people- and planet-friendly; and support for staff to develop their skills and talents.

"Better Ways is a game changer that embodies a mindset and a commitment for logistics and transport solutions that are more responsible and efficient while being built on strongly humane values from a family-led enterprise," said Mrs Saadé Zeenny, who is also president of the CMA CGM Foundation.

The Marseilles-headquartered group remains committed to becoming carbon neutral by 2050 but regards liquefied natural gas "as the best solution currently available", while alternative non-carbon fuels are developed. CMA CGM has led the way in the use of LNG for large containerships, and despite doubts expressed in some quarters, insists that the time to act is now, rather than wait. Later this month, the line will take delivery of its ninth LNG-powered 23,000 teu ship.

Artificial intelligence, blockchain solutions and other new technologies are all being developed as part of the goal to offer smarter, smoother, and more secure services.

This is enabling CMA CGM to put together integrated end-to-end solutions and adapt to customers' needs "which have drastically changed", according to Mrs Saadé Zeenny.

CMA CGM also continues to focus on humanitarian work, sending emergency relief to Lebanon following the deadly blast in the port of Beirut last year, and more recently more flying out medical supplies and equipment to India as the country struggled with soaring coronavirus infections.

The triptych of images that features in the Better Ways campaign is designed to illustrate the group's shipping and logistics activities against the backdrop of its commitment to both people and the environment, said Mrs Saadé Zeenny, and to unlocking new ways of creating value for its customers, partners, and staff.

MARKETS:

MOL revises full-year forecast upwards on container shipping boom

MITSUI OSK Lines, the Japanese shipping conglomerate, has significantly revised up its full-year earnings forecast as the rocketing container freight rates are expected to ramp up further.

The company's net profits are now expected to reach ¥170bn ($1.5bn) in the six months between April and September, compared with ¥50bn previously forecast.

For the full fiscal year ending March 31, 2022, the bottom-line estimates are ¥210bn compared with ¥90bn.

MOL attributed the improved outlook to the performance of its box shipping joint venture Ocean Network Express, saying "due to cargo movements and spot freight rates both considerably exceeding the company's assumptions".

ONE — the world's fifth-largest carrier owned by NYK, MOL and K Line respectively — reported a 3,000% increase in profits to $3.5bn for the year to the end of March, when the rates were already at record highs.

Since then, the Shanghai Containerised Freight Index, weighted on 13 deepsea routes originating from the world's largest port, Shanghai, has increased 45% to 3,748 points on June 18.

The lockdown-led logistics bottleneck, including the recent port congestion in Southern China, is expected to continue bolstering the freight market as it heads into the traditional summer-autumn peak season.

Sea-Intelligence expects the transpacific rates to jump another 20% in coming weeks.

"The inexorable increase in freight rates appears to continue with no end in sight," the analyst said in a report.

"The current problems are indeed global in nature, in as much as there is neither sufficient vessel capacity nor equipment availability, for all cargo which needs to be moved."

MOL last week revamped its decarbonisation strategy by unveiling aggressive emission-cutting targets and a $2bn investment plan.

Star Bulk steers clear of newbuildings

STAR Bulk, a US-listed owner of dry bulk vessels, is steering clear of the newbuilding market for the time being, given high steel prices and the added costs of new fuel technology while regulations are still being decided.

"We are not ordering ships because of the stranded asset risk," said company president Hamish Norton.

Speaking on the virtual Marine Money event, he said that steel prices have practically doubled over the past few months, adding $14m to the cost of building a capesize. Combined with that are the additional costs of adding dual-fuel technology.

As a result, he does not see a good-enough financial payback.

BW Group managing director for investments Andreas Beroutsos had similar views, saying the risks are higher given that the industry "does not yet know what the ship of the future will look like".

While its orderbook is a small percentage of the fleet, its focus is on consolidating existing businesses and building a better company.

For tanker owner Euronav chief executive Hugo de Stoop "flexibility is key", as the ultimate zero-emissions fuel technology is some way off.

His company has ordered conventional ships with possibility to convert even though they were more expensive.

"It was the only way we see of managing the risk of having stranded assets," he said, as there were question marks about how long liquefied natural gas could be used in the transition.

"We believe for the first time-ever, owners need to get closer to shipyards and engine manufacturers," he said, adding that for fuels like ammonia, it was important to have training and to understand the safety aspects too.

The container line Capital Product Partners chief executive Jerry Kalogiratos said there so many technologies still being discussed. Research and development was needed, but owners could not afford to pay for this themselves.

The industry therefore needed to work together to find solutions, he said.

IN OTHER NEWS:

PetroChina to order trio of LNG carriers at Hudong-Zhonghua

PETROCHINA has agreed to order three more 174,000 cu m liquified natural gas carriers from Hudong-Zhonghua Shipbuilding, according to a yard release.

It follows a similar order by the state-owned oil and gas major in June 2020 for a trio of newbuildings of the same size at the Chinese yard for $185m each.

Delivery for that order, made under a joint venture with Cosco Shipping, is scheduled for October 2022, and January and April 2023, respectively.

Ever Given insurers hoping for breakthrough

THE insurers of *Ever Given* are hopeful of securing the release of the vessel after tabling a confidential proposal to the Suez Canal Authority.

Legal proceedings have been adjourned in the anticipation that a breakthrough could be imminent, it has also emerged.

The 20,000 teu boxship (IMO: 9811000) remains at anchor in the Great Bitter Lake, nearly three months after its grounding caused a six-day shutdown of the key waterway.

Maritime leaders unite to cut emissions in US and Canada

A NEW maritime coalition has been launched to promote the reduction of emissions in the US and Canada.

The Blue Sky Maritime Coalition has been formed by 24 partners, including classification societies ABS and Lloyd's Register, firms such as Citi and Shell, and regional authorities and ports.

Its aim "is developing and taking action on projects to achieve a commercially viable net-zero emissions waterborne logistics sector", according to a statement.

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