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This Day of the Seafarer, cut the crap and get the crews home

ANOTHER YEAR, ANOTHER Day of the Seafarer. Then again, the last 12 months have not exactly been 'another year'.

The impact of the pandemic has been felt by us all. But it is no exaggeration to say that hundreds of thousands of the 1.6m men and women who crew the world fleet have had their lives turned upside down like no other group of workers.

Despite the usual outpouring of platitudes and warm words, efforts to address the crew-change crisis have left too many facing abandonment, cancelled repatriation, severe social isolation, and routine unending fatigue as their daily reality.

As shipping rallies behind calls for a fairer future for seafarers, we need to consider why we have collectively failed to deliver a fair present.

The industry — from its manifold single-ship companies to the International Maritime Organization itself — has proved impotent to protect those who serve it. The harsh truth is that all too often, shipping doesn't really seem to care.

Most developing world seafarers are quite rightly proud of their job and the route it has often provided out of poverty for them and their families.

But the pandemic has underlined the way in which conditions for too many are only a few rungs up the ladder from slavery.

Conscripted into indentured service because of their economic circumstances, they are unable to strike or indeed take any action to improve their lot.

Shipowners will say they have borne extraordinary costs in diverting ships and chartering flights to bring their workers home, and that governments are not listening to them. We applaud their efforts.

But it is naïve for shipping to expect a warm welcome ashore by the same governments it has done so much to evade in their pursuit of profit, registering their ships in far-flung tropical tax havens far from the taxman, the accident investigator and the press.

Shipping insists that all rule-making be centralised under one ostensibly powerful global regulator, beholden to its interest groups and hobbled by its need for consensus.

Yet when push comes to shove, that regulator has shown itself inadequate to the task of co-ordinating international efforts to sort out the plight of those at the industry's coalface, despite its standing as a fully-fledged United Nations agency.

Shipping must face up to these difficult questions and more if it wants Day of the Seafarer to be anything more than a hashtag and a collective sigh of defeat.

Whatever is the point of sending nicely worded statements, copied to journals including Lloyd's List, asking for consideration of the seafarers' plight, if no-one is listening?

Where is the value in sounding ships' horns in solidarity with seafarers if the powers that be are not even listening?

The idea of an International Day of the Seafarer is all fine and dandy. But after 15 months of Covid-19, it's time to cut the crap and get the crews home.

WHAT TO WATCH:

Investment returns won't subsidise underwriting losses

P&I CLUBS pulled back half-a-billion-dollar losses last year by similarly-sized investment returns, but cannot count on doing so again this time round, according to executives at a leading marine mutual.

That will mean a likelihood of a third successive year of hard pricing for liability cover, according to North Group chief executive Paul Jennings and chief financial officer Ed Davies.

Investment returns on free reserves are a special concern for mutuals, which do not have to maximise profits in the same way as private companies, but do need to at least break even over the cycle to ensure their stability.

Mr Davies stressed that not all International Group clubs have yet published financial statements in sufficient detail to be sure what proportion of their income has come from underwriting and what proportion has come from investment.

Nevertheless, 11 of the IG's 13 affiliates have at least revealed movements in free reserves, making a tentative calculation possible.

"The bottom line is as close to break even as can be. I reckon it's about half a billion underwriting loss and half a billion investment gain, give or take," said Mr Davies. "As far as I can tell, that's the split up to now."

North made an investment return of 6.7% last year, and all clubs achieved at least 5% and some up to 10%. But similar income cannot be assumed in 2021, Mr Davies continued.

"We reckon 1% or 2% is a more realistic forecast for investments going forward, so you're not going to get that level of return."

Mr Jennings said his expectation for the coming renewal round was for consistent rises across the market.

Last year was the first year for a while where there was concerted movement, typically effectively in the 7.5% to 10% range, he argued, although some clubs opted for tougher pricing rather than a specific general increase.

Even so, many clubs are reporting combined ratios of more than 120% and up to almost 150%, and that is obviously unsustainable.

"The numbers are there, those combined ratios are high. Hopefully there will be some impact from increases that came in last year, but there's still further work to be done," he said.

"Overall, the way pricing moves in the P&I market is far more graduated than the way pricing moves in the hull market. It's more reactive and happens over a longer period of time."

The big problem for shipping in the pandemic problem is still protecting crew, and this should be seen as an overriding issue.

Shipping organisations and ports are now in discussions over vaccination programmes for seafarers, with the likelihood of imminent rollout.

"Another driver on the premium side will be International Group reinsurance. We're looking at a rising market anyway," Mr Davies added.

The IG pool excess contract is negotiated on a two-year basis, and renewal this year will mean two years of accumulated rises to take into account in one go.

"Shipowners need to be on notice that that's all going to come through in one year."

Vaccines and crew change overshadow Day of the Seafarer

TRIBUTES were paid to mark the annual Day of the Seafarer amid continued industry frustration that pleas to governments to help relieve seafarers' plight have amounted to little.

Shipowner groups, companies, trade unions and maritime authorities thanked seafarers for their service to world trade as they lamented the continued struggles crews face in the second year of the pandemic.

Vaccines and the easing of travel curbs were chief among the industry's demands to governments, with the former seen as the only way to achieve the latter.

The International Maritime Organization called for "a fair future for seafarers" as a poll by the regulator showed 73% of seafarers agreed the pandemic has changed the future of seafaring for the worse.

"For a second year in a row we are marking this day as hundreds of thousands of seafarers continue to face restrictions as a result of the Covid-19 pandemic," it said.

"Access to repatriation, shore leave, and medical support all continue to be a challenge. Although there has been a significant reduction in the number of seafarers caught up in the crew change crisis, the numbers remain unacceptably high."

International Maritime Employers' Council chief executive Francesco Gargiulo said the number of overdue seafarers was climbing again.

He said it was not as high as last year's peak of 400,000 was because of shipping companies and airlines adapting to the new normal, not because governments had made crew changes any easier.

"In shipping you no longer see the appeals to government anymore. We know they are not listening and we have learned to help ourselves and to work around the restrictions wherever we can," said Mr Gargiulo.

He said Day of the Seafarer could do little except remind the public of the problem.

"All the Neptune Declarations in this world will not convince the Department of Health in Singapore to relax their draconian restrictions," Mr Gargiulo said.

"I am afraid. And the only thing that could change this, is a global strike which is never going to happen as shipping cannot afford it — both financially and reputationally."

Synergy Group chief executive Rajesh Unni, whose company manages almost 400 ships, said: "Another Day of the Seafarer is upon us and thus far our pleas have largely fallen on deaf ears."

He recalled the case of the bulk carrier *Vantage Wave* (IMO: 9506514), which was left at sea for two months with dwindling food and water and the body of its dead captain stuck on board after China refused it entry. Similar cases have been reported elsewhere.

Capt Unni said Synergy had several cases where ships were made to wait for days to get emergency medical aid.

He said the mess of national vaccine rules had slowed their rollout and few ports allowed crew ashore to be jabbed. He said states should prioritise vaccinating foreign crews — point echoed by the German Shipowners' Association.

"We need common standards for vaccines that are universally recognised with no delay," Capt Unni said.

Mr Gargiulo hoped the trend of rich countries offering spare vaccines would continue to aid supply to poorer countries, adding there were relatively few seafarers in the world to vaccinate. "We are not talking about inoculating India here — there is only 1.4m of them," he said.

"If governments really cared, this issue could go away in no time at all and the world supply chain would be safeguarded."

The International Transport Workers' Federation despaired at "the yo-yoing policies of governments who refuse to acknowledge their role in stripping away the rights of seafarers that keeps them working on ships".

"Being unable to stop working creates a situation of forced labour. What is being experienced right now by seafarers is tantamount to slavery. It's that simple."

The RMT union urged ratings to join trade unions to protect them from exploitation.

The IMO seafarer poll showed 42% of respondents felt they lacked enough training to respond to shipping's future challenges and 39% were worried about autonomous shipping.

Guaranteed access to repatriation and crew change was the most important issue for 41% of seafarers polled, while 21% were most concerned about priority vaccinations and 16% safe enforcement of the Maritime Labour Convention.

Some 46% of respondents said working conditions was the area most in need of improvement, compared with 13% for training, 12% for safety on board and 30% said salaries was the top issue.

Ince, a law firm, meanwhile released a version of Rod Stewart's 1975 hit "Sailing" to raise money for maritime charities.

ANALYSIS:

Impact of pandemic on crew change hits Chinese seafarers

CREW exports from China, a top international supplier of seafarers, took a big hit last year because of the impact of the pandemic, government statistics show.

Chinese sea workers hired for foreign-flagged vessels made 122,304 trips in the past 12 months, representing a 21.3% contraction compared with 2019, according to a Crew Development Report published by the China Maritime Safety Administration.

That compares with 6.5% and 5% growth recorded in 2019 and 2018, respectively.

Positions ranging from master to chief engineer and ordinary sailor have all seen a collective decline in hiring, with the third engineer officer and third deck officer roles bearing the brunt, down 32.2% and 27.5%.

Meanwhile, the number of registered Chinese seafarers for international-trading vessels increased 3% year on year to 592,998 at the end of 2020, which is slower than the average 5% growth rate seen between 2017-2019.

"The crew development data was fluctuated due to the coronavirus pandemic in 2020," said the report.

Shipmanagement experts in China said the 2020 results were largely a reflection of the crew change crisis, including seafarers that were reluctant to sign on due to fears about their health.

That said, the figures this year are expected to improve, as demand for Chinese seafarers have increased sharply since the resurgence of new infections in other important crew nations, such as India and the Philippines, in April.

"The working condition for seafarers has been very tough amid the pandemic," said Zhao Yong, president of the Qingdao-based Seacon Ships Management, which manages more than 120 vessels.

"They are no longer allowed to take shore leave to relax after docking, so they can become very emotional after a long period of service on board and that is a big potential risk for vessel safety and a shipowner's operation."

He told a Chinese shipping conference that it was not easy for the shipmanager to coordinate with owners on crew rotations.

"It was very difficult in the first half of 2020 when the freight market was sluggish. But the situation improved a lot in the second half of last year when the market started to turn around."

That said, while China's has allowed the changes for domestic crew, the ban remains in place for their foreign peers, albeit with a few exceptional cases.

Industry associations and experts have argued that vaccination for seafarers has now become a key to protect their health as well as to stabilise the shipping sector and even world trade.

The International Transport Workers' Federation said the Day of the Seafarer on June 25 is "meaningless without vaccines and restored rights", and called on the governments to resolve the issue.

"Governments' inclination to sacrifice the welfare of seafarers and our rights to what they think is the best way to protect their local populations from the virus is predictable — if hard to accept," it said.

Among the solutions it required are supporting the Trade-Related Aspects of Intellectual Property Rights wavier for vaccine patent, providing enough doses to fully vaccinate all seafarers who are due to visit their countries' ports by the end of 2021, and introducing permanent "green lane" exemptions for vaccine-certified seafarers to move to and from ships as part of crew changes

Digital supply chains face real-world challenges

PORTS need to focus on digitalising their processes if they are to play a role in creating a smooth flowing supply chain, but the nature of supply chains means this will not be an easy task.

"Here in the US we still lag ports in Europe, Asia and the Middle East in the ability to share information with the centrifugal force of the port being the common ground, where the confluence of all activities happens," said Port of Los Angeles executive director Gene Seroka.

"We need to share information to use it for good decision making, whether it be exception management or piling through pipelines."

But speaking alongside Mr Seroka at the International Association of Ports and Harbours World Ports Conference, PSA International chief executive Chong Meng Tan warned that more needed to be done to achieve the desired goal.

"If we are an orchestra, we are playing pretty lousy music," he said. "The notion of logistics as a team sport has never been more clearly demonstrated than in the past 18 months, when we have seen record-low supply chain reliability because of failures due to some of the links in the chain."

This had left customers frustrated by the lack of transparency and the right digital information.

"It is tempting to think some giant digital native can come in and revolutionise the industry and provide a frictionless supply chain," Mr Tan said. "The Amazon effect has raised expectations across industries beyond just retail and ecommerce."

But ecommerce and retail were easier operations to manage than supply chains.

"For those that want to try, the complexities that come with this challenge have no quick fix," he said. "A fundamental feature of our fragmented system is the diverse and competing interests. Different stakeholders makes the choice of common platforms quite difficult."

The other challenge was the multinational nature of the problem, given the high levels of global sourcing. A finished product may have several hundred components from dozens of suppliers from several countries.

"Globally sourced manufacturing and distribution requires you to work across national boundaries that have their own rules and regulations," Mr Tan said. "No one size fits all."

But progress was being made towards convergence through data standardisation.

"We are starting to think of a whole supply chain approach because of the acceleration of the digital economy through Covid-19."

Even on a national basis, Mr Seroka said that conversations about data sharing had been going on since 2014.

"We now have a helicopter view of everything that is happening at the port and people can see how we're moving cargo and make decisions," he said. "The next step will be on the export side and going deeper into the supply chain at origin."

Mr Seroka has called for the formation of a national port information sharing system, to help meet the challenges of US exporters by providing a "heatmap" that would show where bottlenecks were occurring and where better availability could be found.

MARKETS:

Greek banks buck trend of declining lending

GREEK banks have significantly increased their lending to shipping in stark contrast to the overall trend.

Five Greece-based banks and three smaller Cyprus-based lenders focused squarely on the Greek market increased their combined loan portfolio by 19.8% last year, according to Petrofin Research, which annually studies the state of ship finance for Greek owners.

The rise in lending by Greek banks, which has been underway since 2017 but recorded its sharpest growth in 2020, is in stark contrast to the general trend.

Overall, the bank ship finance portfolio for Greek shipping shrank by more than 6% and for the first time since 2006 dropped below $50bn in aggregate.

At its peak in 2008, banking exposure to Greek shipping stood at more than $73bn.

When it comes to international banks, that historically have provided most of Greek owners' loans, Petrofin has traditionally differentiated between those with a physical presence in Greece and those without.

Outstanding loans from those with a Greek branch dropped by 19% last year, the main reason being the exit of DVB Bank.

The departure "is going to be felt deeply," said Petrofin, as DVB has long been a leading player in the Greek market.

Nord LB's withdrawal contributed to a 7.6% decrease in the portfolio held by international banks without a presence in Greece.

Credit Suisse last year remained the largest overall lender to Greek clients despite a 17% reduction in its portfolio that Petrofin attributed to "a shipping refocusing exercise and reduced lending opportunities at sufficiently attractive rates due to competition mainly from Far Eastern leasing companies.."

BNP Paribas remained in second place at end-2020 with a portfolio just shy of $3bn.

But the crop of the largest Greek lenders is now closing in, led by Piraeus Bank and Alpha Bank that vaulted into third and fourth place last year with portfolios, respectively, of $2.9bn and $2.85bn.

Although the top 5 was completed by Citi on $2.7bn, the next largest Greek banks – Eurobank and National Bank of Greece – were placed sixth and seventh with portfolios either side of $2.6bn.

The number of banks involved in financing the Greek-owned fleet has increased to 56, Petrofin said, up one from 2019 and up from 52 in 2018.

Two Japanese banks, Tokyo Century Bank and Mizuho Marubeni, were the latest to be added to the list of participants.

The decline in bank lending overall reflected "the difficult regulatory and operating environment by banks", Petrofin said. This was primarily so among European institutions.

"Comparatively, Far East lenders and leasing companies operated under more supportive conditions."

Greek banks had emerged as an exception partly because they had benefited from Greece's "hugely improved" country credit ratings, a lower cost of funding and robust loan portfolios.

Supramax earnings surge to 11-year high

PERSISTENTLY tight tonnage and an increase in cargoes have lifted the Baltic Supramax Index to its highest level since June 2010.

The average earnings reached the $31,507 per day mark on the Baltic Exchange on June 24, while the related index was assessed at 2,864 points, up 16.7% since the beginning of this month.

Grain shipments and ballooning minor bulk demand, along with an imbalance in fleet positioning, are supporting the freight rates, market participants confirmed.

The main driver of rebound is the Atlantic basin, which continues to outperform, mainly because of the strong East Coast South America and Gulf of Mexico soyabean and corn export season, according to Signal Ocean Platform.

Meanwhile, the Mediterranean and Continent market follows the other Atlantic areas, while the Pacific region shows more resistance with prompt tonnage being cleared out.

A Singapore-based broker said that the lack of prompt tonnage was down to weather conditions and port congestion in Asia coupled with increased demand for ships to carry coal from Indonesia.

Jefferies research noted that China has been purchasing US grains in bulk, and the trade dispute between China and Australia has benefited tonne-mile demand as minor bulk cargoes are being sourced from distant regions.

What is more important is that the tightness and lack of vessel availability in the containership market, which is pushing certain products such as bagged grains, scrap and general cargo to the smaller dry bulk asset classes, is supportive of dry bulk spot charter rates, especially supramaxes.

In the short term, grains demand is likely to support vessel earnings as China's needs lead the volume of destined cargo flows.

Signal concluded: "Combined fundamentals of supply trends, cargo flows and macro drivers outline that the summer season brings a buoyant sentiment for the third quarter of the year."

IN OTHER NEWS:

Cyprus unveils plan to vaccinate 40,000 seafarers

CYPRUS has pledged to vaccinate all seafarers on the Cyprus-flagged fleet, as well as on vessels managed from the island that are flying other flags.

The move covers 40,000 seafarers, according to the Cyprus Shipping Deputy Ministry.

A circular issued by the government on June 25 said vaccines will be administered by qualified medical staff to crew members on board Cyprus-flagged ships irrespective of the location of the vessel. Vaccinated seafarers will be issued with certificates.

Biden's infrastructure deal reduces allocation for US ports

PRESIDENT Joe Biden has agreed a US infrastructure package worth about $1trn which reduces spending on ports and inland waterways from earlier proposals.

"We're in a race with China and the rest of the world for the 21st century," he said. "This agreement signals to the world that we can function, deliver and do significant things."

The National Retail Federation said it was "encouraged" by the bipartisan agreement.

Seaspan extends charter hires with Cosco for 17 boxships

SEASPAN Corp, the world's largest independent containership owner, said it has forward fixed contracts for 17 containerships with Cosco Shipping Lines.

The deal includes two vessels whose charters were scheduled to mature in 2021, 13 vessels due in 2022 and another pair set for 2023, with a combined capacity of 117,000 teu.

All charters have been extended for three years from the end of their current terms.

SSY launches carbon offset service

SHIP brokerage Simpson Spence Young has launched a new carbon desk and offsetting service, aimed at helping clients meet their decarbonisation goals.

It will offer a “fully rounded service” in both compliance and voluntary offsets, as well as futures and options coverage, according to a statement. It will engage with a range of businesses that can supply high-quality portfolios to meet the needs of clients.

“Maritime transport accounts for around 2.5% of global emissions and the reduction of greenhouse gases is fast becoming a top priority for many of our clients,” said SSY chairman Mark Richardson.

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