Lloyd's List

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Five bulk powerhouses to consolidate cape chartering

Initial spot fleet of about 80 capes equates to 5% of fleet but could grow in future

FIVE leading dry bulk shipowning groups have agreed to join forces in the beleaguered capesize market by creating a new chartering entity to be called Capesize Chartering, *write Tom Leander and Nigel Lowry*.

After several weeks of speculation that owners were plotting the launch of the first major dry bulk pool in years, the announcement on Tuesday by Bocimar International, CTM, Golden Union Shipping, Golden Ocean Group and Star Bulk Carriers confirmed the launch of the new joint venture company that will "combine and co-ordinate the chartering services of all the parties".

Between them, the five owners control a staggering total of 164 capesize and ultra capesize or 'newcastlemax' bulkers, including newbuildings.

The co-operation will include all the spot-trading capesizes that are currently commercially managed separately by the five partners and the number of vessels initially involved will be 70-80, or about 5% of the total capesize fleet of 1,700 vessels, Lloyd's List has been told.

Herman Billung, chief executive of Oslo-based Golden Ocean, said it is wrong to dub the alliance a pool.

"It is more a joint communications platform across companies," he said. "The companies will operate with separate cashflows and P&Ls [profit and loss accounts]. The goal is to co-ordinate and have a more efficient operation."

Mr Billung will act as the initial chairman of the venture, while the managing director's function will be assumed by an executive at Monaco-based CTM, it is understood. But venture members say these functions will be rotated.

Despite much recent talk of consolidation in the dry bulk industry, mostly led by publicly-listed owners, the fragmented nature of the trade has always made gains an uphill struggle and the extent to which consolidation can be achieved through mergers and acquisitions is seen as limited.

In their statement, the five companies starkly acknowledged the challenge. "The parties operate in the highly competitive and fragmented capesize industry, and neither party owns, controls or manages sufficient capesize vessels to

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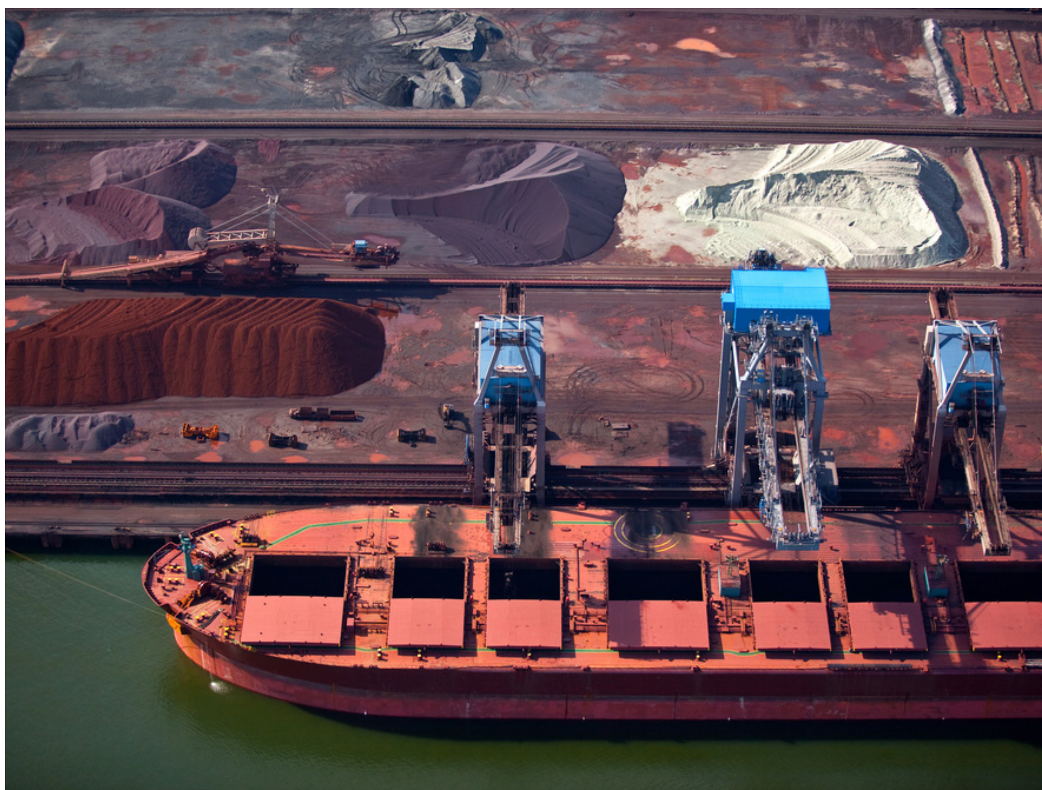

The chartering entity will involve 70-80 capesize carriers, or about 5% of the total fleet of 1,700 vessels.
Tuen van den Dries/Shutterstock

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provide competitively priced bids and efficient trading and operations to serve its customers," they said.

Mr Billung played down the competitive pricing aspect, and indicated that a reduction in ballast voyages will be a key aim of the players. "It's more to do with efficiency, trying to find the right vessel that's geographically in the best feasible position. This would make us more competitive," he said.

However, in one of the worst capesize markets in decades, with rates from Australia-China at a loss-making $4.39 per tonne and those from Brazil-China at $10.82, the ability to save costs by reducing ballast voyages and waiting times in positioning vessels will deliver the five companies better pricing power.

There will be keen argument over the extent to which the new venture will transform market prospects for its members. RS Platou said the new venture would not be big enough to have a major sway over capesize rates.

"We would not expect much impact from Capesize Chartering, although it could grow in size in the future as other owners join the alliance," wrote analyst Frode Morkedal.

However, overall, the five owners control double the number of capesizes that are likely to be initially contributed, and the potential to expand will also depend on policies to admitting new members.

John Michael Radziwill, chief executive of CTM, said the intention was not to exclude other owners. "We would welcome new members, but we want to get up and running first," he said.

Exclusion would "go against the point of consolidation", he said.

The five owners are familiar bedfellows and have frequently co-operated between each other in the past. The quintent comprises confirmed believers in pooling and joint ventures, which could point to the combined entity's longevity going forward.

"It all came together very easily," said Mr Radziwill. "We're all friends, we've all co-operated with each other in the past."

Will it continue if the market recovers? "Sure, why not? The point of it is to be more efficient," he said.

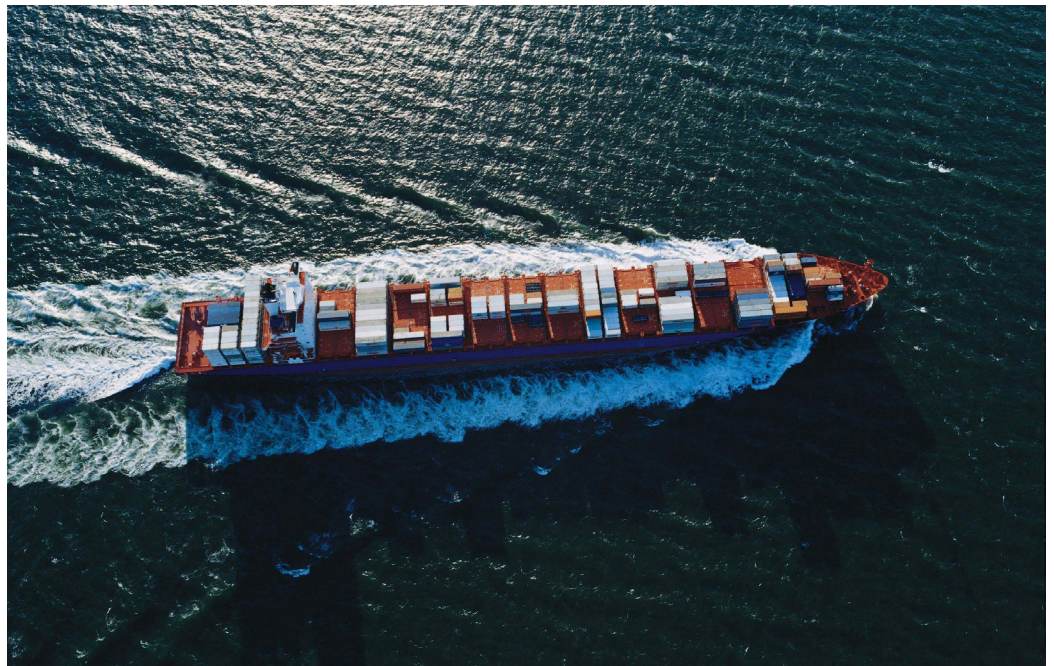
Capesize Chartering will start operations in the second half of this month, in time for the expected return of business following the Lunar New Year holidays. The venture will be run from the separate offices of the owners in Bermuda, Piraeus, Antwerp, Monaco and Athens.

When asked whether the agreement to create the platform indicated that the five owners believed rates would stay low for an extended period, Mr Billung said "no" and added it was simply more efficient way to manage their respective fleets.

"Our business vision and model will be to offer to the market, irrespective of ownership, the best suitable vessel, taking into account the respective vessel's characteristics, position and availability," said the joint statement.

Asia-Europe carriers speed up ships

At least five services on the trade lane have seen speeds increase as shipping lines reconsider slow-steaming levels



The move to speed up vessels could have a negative impact on supply and demand because it would reactivate dormant capacity.

AT LEAST five Asia-Europe services have now speeded up in order to take advantage of lower fuel prices by removing vessels from service and returning chartered tonnage, *writes Damian Brett*.

Speaking at Containerisation International's Global Liner Shipping Middle East conference, SeaIntel partner Alan Murphy said certain shipping lines were speeding up vessels by around 1 knot to 1.5 knots.

"Most of the speed increases will happen on the backhaul because then you won't have to change your berthing slots, but it is already happening," he said.

"Carriers like those in the G6 and CKYHE alliances don't have as many big vessels as the likes of Maersk Line and Mediterranean Shipping Co, so are more likely to speed up services.

"If you speed up one of your big vessel services [to remove an owned ship from service], then you simply end up with too many big vessels."

He said carriers were more likely to speed up on the Asia-Europe trade than the transpacific because the longer transit times meant the speed increase required to enable the removal of vessels from service was lower.

But Mr Murphy also warned the move to speed up vessels could have a negative impact on supply and demand because it would reactivate dormant capacity.

Looking at a worst case scenario, SeaIntel calculations show that if all carriers speed up their services to remove a week from transit times, capacity on

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the Asia-Europe trade would increase by 2.5%.

If the same action was taken on the transpacific and Asia-Mediterranean services and these vessels were cascaded elsewhere, it would result in an 18.5% increase in capacity in the north-south and regional trade lanes.

"Forget about what's on the orderbook; there are actually excess vessels that get reactivated into the excess supply simply because of the fact that the carriers are speeding up," he said.

Maersk Kanoo managing director Christian Juul-Nyholm also warned against speeding up services because of its effect on overcapacity.

He said Maersk Line believed that around 1.9m teu of capacity was used up by slowing vessel speeds.

If this capacity was added back into the market, it would increase the level of overcapacity from around 15% to 25%, he said.

"It's hard to say what will happen, but there are probably some in certain corridors that think it's a good idea to speed up.

"But you would have to bank on oil prices staying low and on legislation around the world and people will not be happy if we come speeding into ports and burn more fuel than we do today."

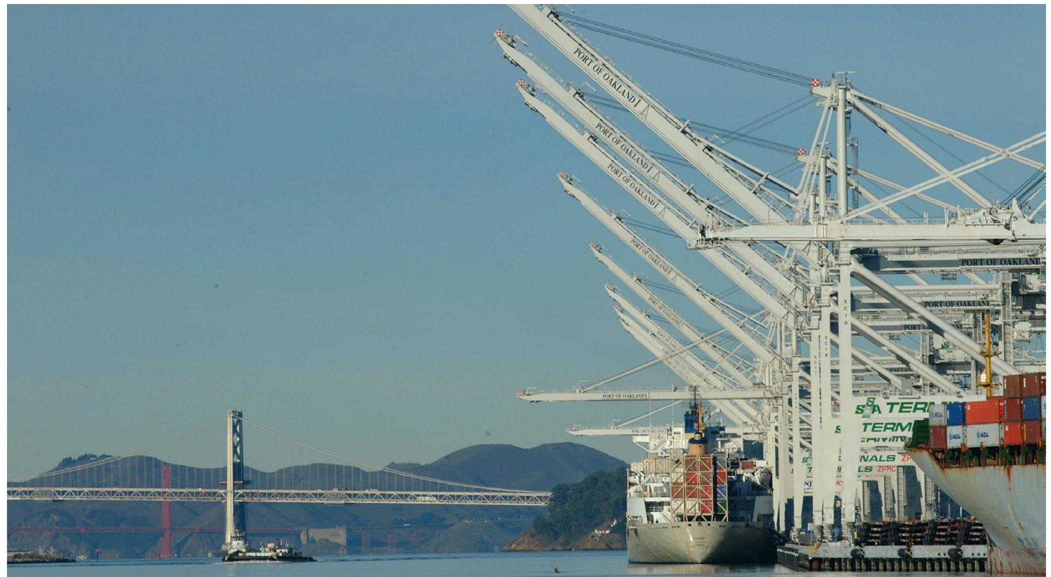
Mr Murphy also looked at the other implications of lower fuel prices and said there would be some benefits for shipping lines.

He said the bunker adjustment factor should, in theory, result in any savings on fuel prices being passed straight on to customers.

But there would be a short-term benefit for carriers, as there is a time lag between movements in the price of fuel and changes in BAF levels.

Oakland warns of two-month backlog as cargo piles up

Between 10 and 12 ships a day are waiting to berth in Oakland marine terminals



Oakland says the labour situation and cargo delays "jeopardise the credibility and standing of west coast ports".

CLEARING the cargo backlog at US west coast ports would take two months, once a new contract with longshore workers had been reached, the Port of Oakland says in a status update as relations between employers and labour worsen, *writes Janet Porter*.

The Californian port, which has been severely hit by the impasse, admits it has no more idea than anyone else when the current standoff is likely to be resolved.

Between 10 and 12 ships a day are waiting to berth in Oakland marine terminals, with some carriers such as Maersk and Mediterranean Shipping Co now omitting calls rather than exacerbate disruption to service schedules.

In a detailed list of questions and answers, Oakland has sought to explain to all those caught up in the gridlock in one way or another what has brought Pacific coasts to this crisis point.

As well as the stalled contract negotiations between the Pacific Maritime Association and the International Longshore and Warehouse Union, other facts that have contributed to the cargo build-up include higher US imports as the economy recovers, the introduction of bigger boxships on the Pacific, chassis shortages and, in Oakland's case, diversion of cargo from already congested Los Angeles and Long Beach. Late arriving ships from southern California added to the congestion, Oakland says.

The port also warns that the impact of these factors is being felt worldwide.

"Global supply chains — especially between Asia and the US — have been disrupted. Multinational companies are reporting lost revenue and increased costs because they can't get products from overseas sources to markets or manufacturing centres," says the port.

"But the real impact is closer to home. Small business owners are unable to get goods on the shelf in time for long-planned merchandising programmes. Some are paying high premiums for work-arounds such as airfreight.

"Manufacturers are at risk of closing down assembly lines because they don't receive parts shipments.

"California's Central Valley growers can't get perishable agricultural exports through the marine terminals quickly and on to ships for delivery to overseas markets.

"Thousands of independent harbour truckers are doing less business — and receiving less pay — because they're often stranded in long lines awaiting cargo. Businesses are beginning to furlough workers because their operations are stymied by cargo delays."

Oakland goes on to say that the labour situation and cargo delays "jeopardise the credibility and standing of west coast ports".

Shippers and ocean carriers "are losing confidence in the reliability of ports — they're diverting cargo to other gateways in Canada, Mexico, or through the Panama and Suez canals to the US east coast," the port states.

ILWU demands right of veto over arbitrators, PMA confirms

Relations sink to new low as employers and dockworkers' leaders trade accusations

RELATIONS between US west coast employers and labour leaders have sunk to a new low as vessel operations resumed amid a flurry of accusations from each side, *writes Janet Porter*.

The Pacific Maritime Association claimed on Monday that contract talks had stalled over demands by the International Longshore and Warehouse Union to be able to fire any arbitrator who ruled against the union.

At the same time, ILWU Local 13 president Robert Olvera alleged ocean carriers were attempting to simulate a non-existent crisis.

"PMA and its foreign-based members are trying to hurt ILWU members through contract concessions and retailers who will have to bear a 'congestion fee' that will be passed off to consumers," he claimed.

"Everyone loses except PMA's foreign-based shipping companies who will rake American worker, retailer and US consumer sacrifices as profits abroad. We call upon our elected officials to look into this attempted travesty upon the local and national economy."

But as the two parties traded increasingly heated claims, ILWU president Robert McEllrath said the union remained focused on reaching a settlement as quickly as possible with employers.

"Talks to resolve the few remaining issues between the longshore union and Pacific Maritime Association are ongoing," he assured members.

A pro-ILWU poster in a shop window at San Pedro. *John Porter*

But the PMA made it clear that giving the ILWU the right to sack arbitrators was never going to be acceptable.

"This provision would give the ILWU veto power over arbitrators' rights to prevent union slowdowns, and in so doing would threaten the consistent and reliable movement of cargo through west coast ports," the employers' group said in a statement on Monday, when releasing figures showing that the ILWU was found guilty of more than 200 slowdowns or work stoppages during the 2008-2014 contract period.

The same arbitrators who have ruled against the ILWU are the ones being targeted by this latest contract demand, according to the PMA.

"The ILWU is essentially seeking the right to fire judges who rule against them," PMA spokesman Wade Gates said.

"The waterfront arbitration system is an essential check-and-balance against illegal labour actions. It would be reckless to allow a single party to change the rules as the union desires."

The latest release from the PMA explaining why negotiations on a new contact are deadlocked follows an "all-in" offer last week after more than nine months of contract talks.

That offer would raise ILWU wages by 14% over five years, on top of current average full-time wages of $147,000 per year.

Mr Olvera claimed that ports were not full, and that "there's room for containers and we have the workers willing to work".

He said it had been been "frustrating to watch PMA use subterfuge and deception to gain advantage over American workers, retailers and US consumers".

Vessel operations at US Pacific coast ports were suspended over the weekend as employers said they were not prepared to pay overtime to longshore workers who were on a go-slow.

More online

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Agricultural industry losing $1.75bn a month in lost export trade, claims AgTC
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Danaos eyes better 2015 after stronger quarter

Boxship owner books loss after vessel write-down but reduced costs boost adjusted profit

CONTAINERSHIP owner Danaos Corp is eyeing improved earnings in 2015 after posting stronger fourth-quarter results for last year, *writes Nigel Lowry*.

The Greece-based owner of more than 50 boxships booked a $51.4m net loss for the quarter after taking a $75.8m impairment loss on the value of five of its smaller, older ships.

But despite a decrease in operating revenues, the company increased adjusted net income by 56.7% to $23.5m, compared with $15m in the fourth quarter of 2013.

This equated to earnings of $0.21 per share, beating the consensus projections of analysts by $0.04.

Behind the improvement in Danaos' core profitability compared with 12 months earlier was a $13.5m reduction in net financing costs, as well as a $1.3m improvement in operating costs.

Operating revenues dipped to the tune of $2.4m because of a softer charter market but also because of $3.9m in charter hire reductions on six vessels as a result of last year's restructuring of charterer Zim.

"The trend of improving financing costs and, as a consequence, earnings, will continue through 2015 as we continue to reduce leverage and benefit from the expiration of expensive interest rate swaps," said Danaos' chief executive John Coustas.

Mr Coustas also struck an optimistic note on the future course of the containership market.

"We see positive signs of a more balanced demand/supply relationship," he said. "The recent charter rate improvement on panamax vessels, which have suffered the most during the prolonged weak market, is definitely a sign that the market is balancing."

Mr Coustas also said lower oil prices were having a positive effect on the results of all the major liner companies.

"This positive development is particularly important for us, since counterparty risk improves as our clients return to profitability," he said.

According to Danaos, a 97% charter coverage in terms of operating revenues helped to insulate it from market volatility and the timing of the recovery.

Coustas: "We see positive signs of a more balanced demand/supply relationship."

A daily operating cost of $5,669 for the fourth quarter made it "one of the most efficient operators" in the sector.

Danaos had, on average, 55 containerships during the fourth quarter of 2014, versus 59 in the same period of 2013.

Last year, the company began a fleet renewal effort, picking up vessels in the secondhand market.

Most recently it added two 12-year-old, 6,402 teu vessels, *MOL Performance* and *MOL Priority*, drawing on $37m of restricted cash earmarked for vessel purchases under an agreement with a banking consortium.

More containers analysis online

View from the Bridge: Jorge Quijano
Panama Canal administrator expects to welcome the first commercial vessel into the canal's new locks at the start of next year
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'US oil won't be driven out of the market,' says IEA

Product tankers continue to reap rewards of US oil production, but crude tankers must wait until the US lifts its ban on crude exports

THE collapse in oil prices is reshaping the global oil market, putting the US in the spotlight as the world's new swing producer that could grow in strength rather than diminish, according to the International Energy Agency, writes *Hal Brown*.

As thing stand, the situation benefits product tankers and liquefied petroleum gas carriers.

Growth in US production of its light, tight oil is expected to regain momentum in the latter part of the 2015-2020 forecast period as oil prices recover, the IEA said in its medium-term oil outlook.

North America is forecast to remain a top source of oil supply growth for the remainder of the decade, the Paris-based energy watchdog predicted.

In contrast, Russia has problems ahead. It faces "a perfect storm of lower prices, sanctions and currency swings, pushing its production into contraction", said the IEA.

The Organisation of the Petroleum Exporting Countries' share of global supply will inch up from recent lows but will not recover to the levels enjoyed before the surge in US supply, the IEA forecast.

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IEA executive director Maria van der Hoeven, who launched the medium-term report in London, said: "This unusual response to lower prices is just one more example of how shale oil has changed the market.

"Opec's move to let the market rebalance itself is a reflection of that fact.

"It may have effectively turned [US light tight oil] into the new swing producer, but it will not drive it out of the market.

"[US light tight oil] might in fact come out stronger."

Although the US is exporting some of this light oil on product tankers as condensate — which is very lightly processed oil — some experts believe the US will not lift its ban on exporting its own oil any time soon.

Low gasoline prices are sacred in the US and anything that threatens this, such as exporting the oil that makes gasoline, would not receive widespread support, said Platts editorial director of global oil Beth Evans.

Instead, the US will continue to feed its refineries with its light oil, exporting the refined products such as gasoline, diesel, naphtha, and liquefied petroleum gas on product tankers and LPG carriers to international markets.

US product exports have doubled to around 3.5m barrels per day, from around 1.7m bpd in 2010, according to Platts.

Product tankers are hauling cargoes from the US Gulf to customers in West Africa, Europe and South America.

Around 100,000 bpd-150,000 bpd of gasoline is now being shipped from the US Gulf to West Africa — a trend not seen three or four years ago, said Platts editorial director of European and African oil Andrew Bonnington.

As the US produces its own oil from shale and other sources, it requires fewer imports of a similar grade from West Africa.

The US is now only importing around 62,000 bpd of Nigerian crude, down hugely from more than 1m bpd in 2004-2007, according to Platts.

Nigerian crude, therefore, is seeking other customers; India and Brazil are emerging as keen buyers of Nigerian crude.

Van der Hoeven: "[US light tight oil] might in fact come out stronger." *IEA*

The change in trade dynamics means the Baltic Exchange no longer reports freight indices for the West Africa to US Atlantic coast spot voyage on suezmax crude tankers.

Instead, this was replaced at the start of the year with the suezmax spot trade from West Africa to Europe, reflecting changing trade patterns in the global tanker market.

China VLCC signs time charter deals with BP and Shell

Chinese owner seals two-year deals at $39,500 per day

CHINA VLCC, a joint venture between state carriers China Merchants Energy Shipping and Sinotrans & CSC Holdings, has sealed two time charter deals to lease two very large crude carriers to BP and Shell, respectively, *writes Max Tingyao Lin*.

According to an exchange filing from Shanghai-listed CMES, the two-year deals have a total contract value of Yuan360m ($57.7m), which works out to be a daily rate of approximately $39,500 per vessel.

The announcement came after brokers reported last month the owner's 2011-built *New Joviality* had been chartered by Shell and 2009-built *New Medal* by BP.

VLCC time charter rates have been increasing since the start of this year, with strong floating storage requirements amid prompt oil prices that are much lower than forward prices.

In process of taking over the entire VLCC fleet of Nanjing Tanker, part of Sinotrans & CSC, China VLCC is set to own 39 vessels in this sector and become the world's largest VLCC owner.

VLCC time charter rates have been increasing since the beginning of this year.

Five things you need to know about low oil prices

Stand-out issues affecting the tanker industry

1. Houston is full of people with furrowed brows

There are "worried faces" on the streets of Houston in Texas, executives wondering what will happen next following the oil price crash, *writes Hal Brown*.

The fear is that US projects will be shelved, unable to proceed on an oil price that is half what it was seven months ago.

Relax, Houston worriers.

Yes, there will probably be a natural cull of high-cost projects, but not wholesale decimation.

The International Energy Agency has offered its respected view, and it should bring cheer to those anxiety-ridden decision-makers in the US Gulf, the new "kingpins" of the global oil market, as they were referred to this week.

US oil will not be driven out of the market and might even come out stronger, says the IEA's executive director Maria van der Hoeven.

Tankers, meanwhile, can reap the rewards offered by abundant oil products flowing from the US Gulf.

Crude tankers, though, may have to wait a while for US crude exports to materialise.

2. Perhaps investing in Aberdeen real estate last year wasn't such a good idea

There's no beating about the bush: UK North Sea oil is facing a bit of a crisis.

At an oil price of around $50 per barrel, it's almost uneconomical to produce oil in the UK part of the North Sea.

At current price levels, almost 20% of UK North Sea production could be killed off.

Alongside the pain of the low barrel price, the North Sea is a relatively high-tax environment.

Production has already been declining in this mature area, and the new oil price is only likely to exacerbate the situation.

Downtown Houston: Worried executives wondering what will happen next following the oil price crash should relax.

BP and Shell are said to be keen to stop investing there in the current climate.

Indeed, Shell is cutting global capital expenditure by $15bn over the next three years; BP by $5bn this year. Overall global capital expenditure is being cut by about $125bn.

The North Sea is a barometer of the wider market.

When times were good, investment in the local economy was booming, with Scottish cities such as Aberdeen reaping the benefits through new infrastructure and soaring real estate.

The next couple of years look more uncertain now, to put it mildly.

3. Brazil and India are partial to a drop of West African crude

We all know that more West African crude has been heading to Europe and China on suezmaxes, ever since the US decided they didn't need it any more.

However, other countries are also thirsty for what West Africa has to offer.

The Brazilians are quite partial to light Nigerian crude, apparently. They like to blend it with their own heavy crude to produce naphtha.

This Brazilian thirst for Nigerian crude is creating a new trade lane for crude tankers.

In addition, India likes a drop or two of Nigerian crude and is increasing its imports on tankers.

It's understandable that West Africa is seeking new customers, creating new tanker routes.

It used to send more than 1m barrels per day to the US in 2004-2007, generally on suezmaxes.

Amazingly, this is now down to a meagre 62,000 bpd.

4. Tanker cargoes from Libya could dry up to even less than the trickle seen now

It's already looking pretty grim for cargo-carrying opportunities out of Libya, but things could get worse.

Oil exports are down to almost nothing as production wanes in a country riven with internal strife.

However, should the European Union impose sanctions on Libyan exports — a move being considered, apparently, to force the Libyans to sort out the political strife — then Libya would be added to the list of no-go zones for tankers, joining Syria.

And all this after such high hopes for Libya, the government telling everyone who would listen last year "don't worry, we'll get production moving again, it'll be fine".

They did, for a while.

It's debatable how much of an impact the absence of Libya will have on the wider oil market.

For tankers, though, it's a relatively big impact.

At full throttle, Libyan production was around 1.5m bpd, most of that exported to buyers around the Mediterranean.

That's enough crude for about two aframax cargoes a day, a decent trade.

So Libya remains very much a "wild card", as one expert said.

5. Russia has a few problems ahead

"Russia is interesting and won't get better any time soon," was how one expert diplomatically put it.

It's clear that Russia is the one that is really suffering from the low oil price, and perhaps that was the intention.

The big oil and gas producer is certainly feeling the financial impact, but its crude exports have not yet been affected.

However, this could be about to change.

Russia itself has said it expects its production to fall this year.

Even a fall in production of around 500,000 bpd would have a "major impact", said one oil expert.

For the tanker market, 500,000 bpd is roughly equivalent to one less aframax per day shipping cargo out of Russia.

Russia has been increasingly looking to Asia for oil customers, but demand from China has slowed.

Russia is also living with Western sanctions placed on some of its oil and gas companies, restricting their ability to raise money on the financial markets.

The West will stop short of sanctions slapped on Russian oil and gas volumes, simply because Europe is so dependent on Russian energy.

However, defiant nations are making a stand against dependence on Russia.

Lithuania has begun importing seaborne liquefied natural gas from Norway to cut its reliance on Russian piped gas.

Others could follow Lithuania.

Russia certainly has some challenges ahead, as the energy markets are reshaped in 2015.

Offen hire aimed to boost capital market access

German owner's new company signs Reederei Nord's Geck-Schlich

CLAUS-PETER Offen's new company CPO Holding has announced another new hire, following on from its success in poaching two high-profile names from rival ER Schiffahrt last month, *writes David Osler*.

Christoph Geck-Schlich is to join the board as chief investment officer, reporting directly to Mr Offen himself.

He previously worked under the same title at Reederei Nord and is a former managing director of Komrowski.

Lloyd's List has been told that headhunter Egon Zehnder was retained for the recruitment search.

CPO Holding is designed to consolidate Offen containership, tanker and bulker activities following a major restructuring of heavily debt-laden Offen-linked single-ship KG concerns last year.

Offen: New hiring follows on from poaching two high-profile names from rival ER Schiffahrt last month.

Commerzbank is understood to be among the largest lenders involved, with some element of write-off, offset by future profit sharing, involved in the package.

According to a statement from the company, CPO plans to use Mr Geck-Schlich's experience to increase its access to international capital and finance markets.

Mr Offen sits as CPO chief executive, as the head of a team featuring former ER executives Hermann Klein as chief operating officer and Frank Bergert as chief financial officer.

Hurtigruten delists from Oslo exchange

Ferry operator sees last day of trading following takeover by private equity-led joint venture

NORWEGIAN cruise ferry operator Hurtigruten is delisting from the Oslo exchange, following a takeover led by a private equity firm, *writes Craig Eason*.

Late last year, a group of shareholders, through a joint venture called Silk Bidco, made a successful bid for the outstanding shares in Hurtigruten.

Silk Bidco is co-owned by funds run by London-based TDR Capital and two financial organisations, Home Capital AS and Periscopus AS, which are in turn owned by board members of Hurtigruten.

Prior to the acquisition, Silk Bidko had raised its stake in Hurtigruten to nearly 56% before making a NKr7 per share offer, representing about NKr2.9bn ($383m).

During 2014, Hurtigruten, which operates a fleet of vessels that sail along the Norwegian coastline, as well as *Fram*, an ice-class expedition vessel, had managed to turn its finances around following a lengthy period of loss.

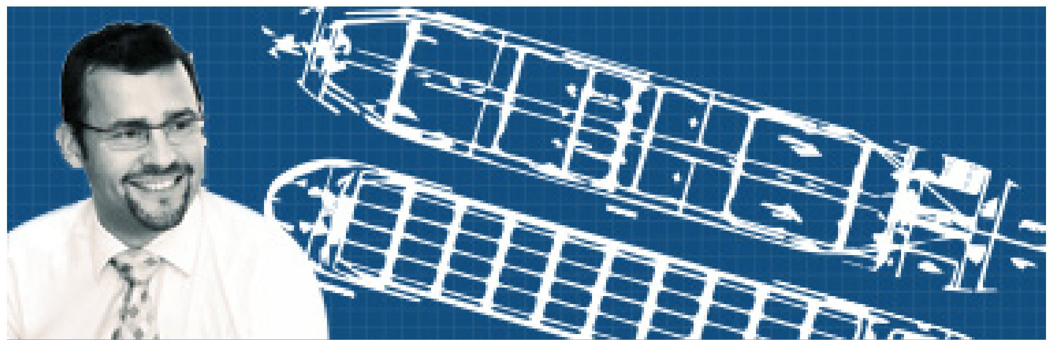
It had also been penalised in the past when it had secured state support from the Norwegian government in contradiction with European diktats.

The last day of trading on the Oslo exchange was yesterday.

Hurtigruten operates a fleet of ferries along Norway's coastline, as well as Fram, pictured, an ice-class expedition vessel.

Aronnax: Innovation and insurance

Is marine insurance the stumbling block to technological advancement?



SHIPPING has a reputation of being conservative, of lacking the drive to invest in innovation and change, but I have heard few reasons why this is thought to be so, *writes Craig Eason*.

Here are my views. Far from being adverse to change, the profession of transporting commerce across the oceans has seen some sweeping developments throughout history; containerisation and the diesel engine instantly spring to mind.

But shipping has also become one of the most regulated industries. It is, after all, one of only two industries with a whole UN agency charged with regulating it, the other being aviation.

The process of regulation has tended generally to be reactive to disaster, whereas the process of true innovation comes from a more proactive commercial drive.

Maritime innovation has to be within the boundaries of regulation, but has to make economic sense.

Today innovation rarely comes from within a shipping company, it comes from research engineers who believe in an idea, and who then fight to secure financing, then the help of a friendly shipowner, a sponsor.

But there are also others who need to be involved. Class needs to be brought into the discussion early to ensure a new idea is rule compliant, and so do insurers, particularly when a new idea has reached the point of installation.

As I have seen a lot of Nordic owners take a proactive approach to technology innovation, I asked the Nordic Association of Marine Insurers, called Cefor, to define its members' approach to technical innovation.

I was told: "Underwriters normally will be involved at an early stage in all new technology developments, and on a case-by-case basis consider whether a special deductible or premium should apply to these risks. Class and flag state requirements must also be met.

"While new technologies are attached to uncertainty and may represent costly claims, it will ultimately come down to loss experience in the long term."

So a new technology, no matter how promising, is likely to be a cost, which does not seem too promising — unless, of course, the premium is a portion of the commercial or operating gain that the technology or operation offers. The insurers are not saying no; they are saying yes to innovation, providing the risks are understood.

Insurers are pragmatic. Another reason why I asked Cefor is that some of its members are active in insuring activity in the Arctic, where there is added risk, but this risk remains unquantified until more Arctic shipping gives insurers the experience they need to make better assessments and realign deductibles or premiums. The development of the Polar Code has helped.

What needs to happen with innovation — and here I am thinking more about fuel-saving innovation, but it applies elsewhere too — is that experience needs to be gained, and shared. And then the risks can be controlled.

This is maybe why larger shipping companies can often afford the risk of trying out innovative technology, seeing it as part of the forward momentum of the industry.

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ARBITRATION NOTICE

FM: Law Office of John Krzywkowski (Athens) on behalf of AWAX MARINE Co.

TO: Anderson Shipping Co. Ltd.
(Owners/Sellers of m.v. "GRETA" under a Memorandum of Agreement dtd. 13.5.2014)

TO: Mr. Enrico Mazier – Director of Anderson Shipping Co. Ltd.
(Also: formerly of Mazier & Ballini Law Office – Monaco)

TO: Ms. Gabriella Ercole of So.Co.Gem (Societe De Courtage Et De Gestion Maritime S.A.M (in liquidation)
(Formerly, managers of m.v "GRETA" for Anderson Shipping Co. Ltd.)

TO: Mr. Delorenzi and Mr Federico Dagnino of GEMARSHIP LLP
(Financial Managers of Anderson Shipping Co. Ltd.)

Pursuant to a Memorandum of Agreement for the sale (by Anderson Shipping Co. Ltd.) and purchase (by Awax Marine Co.) of m.v. "GRETA" dated 13th May 2014 (the "MOA"), and the disputes that have arisen thereunder, Awax Marine Co. have appointed Mr. Mark Hamsher as an arbitrator under Clause 16a of the MOA to hear all disputes arising under the MOA.

Mr. Hamsher's contact details are as follows:

18c Ensign Street
London
E1 8JD
United Kingdom
Work Tel: + 44 (0)20 7265 1946
Work Fax: + 44 (0)20 7702 2520
mark@markhamsher.com

Anderson Shipping Co. Ltd are obliged under the MOA (Clause 16a) and by law, within 14 days, to notify Awax Marine Co. (by email to johnk@k-law.gr) of the appointment of an arbitrator on their behalf. A failure to do so will lead to the arbitration reference proceeding thereafter under the sole arbitrament of Mr. Hamsher.

This notice is copied to the sole director of Anderson Shipping Co. Ltd., Mr. Enrico Mazier, and to So.Co.Gem, the former managers of m.v. "GRETA" and to GEMARSHIP LLP London, the financial managers of Anderson Shipping Co Ltd.