Lloyd's List

lloydslist.com | Monday March 9, 2015
Leading maritime commerce since 1734

K+N and Maersk clash over whether quality pays

Kuehne+Nagel International chairman Karl Gernandt says forwarders and shippers would accept higher rates for better services

THE head of the world's largest logistics provider has called for ocean carriers to offer better quality services just as the biggest container line has stopped providing a premium product because customers were not prepared to pay higher rates, *writes Janet Porter.*

Kuehne+Nagel and Maersk Line appear to have gone head to head over the issue of whether shippers and forwarders will accept increased prices in exchange for more reliable services.

In the keynote address to the TPM conference in Long Beach this week, Kuehne+Nagel International board chairman Karl Gernandt said lines had concentrated too much on lowering costs through alliances and larger ships, savings which are then passed on to customers through "discounted" services rather than on providing a higher level of service at undiscounted or premium rates.

Speakers at a shipper panel during the same event, from companies such as Estee Lauder, Dow Corning and Nexteer Automotive, indicated that service quality was more important than price when negotiating contracts with ocean carriers.

Likewise, Mr Gernandt said it was time for carriers to offer more choice of services, priced according to quality.

"The current reliability arrangement seems to work for many customers and much of the cargo that moves. However, there needs to be a higher service choice. I'm not saying that the current level of service needs to end," he told delegates.

"I think it's time to offer both products... discounted and enhanced."

Yet just hours after Mr Gernandt made his plea, Maersk Line chief executive Søren Skou publicly confirmed for the first time that its premium-priced Daily Maersk product, which included compensation payments to customers if delivery times were not met, had been withdrawn because it had not been commercially viable.

Daily Maersk had provided daily cargo cut-offs at specified ports in Asia and guaranteed arrival times in Europe.

"Daily Maersk is a premium product in terms of reliability and frequency — but there has not been a big demand to pay the premium it takes to run the service," the line said a few days ago.

Gernandt: Modern supply chains require higher reliability and customers are asking for it.

Mr Gernandt, who was appointed successor to Klaus-Michael Kühne in 2011 and is also vice-chairman of the Hapag-Lloyd's supervisory board, compared carriers' schedule reliability with the performance standards of his own company. K+N has key performance indicators that include reliability, which are always 90% or higher.

"On the other hand, carrier schedule reliability generally ranges from 65% to 85%... in good years," he said.

"So, what we have today is a situation where customers of ocean carriers, Kuehne+Nagel included, are getting, let's call it, a 'discounted' level of service... meaning 65% to 85% reliability that is subsidised to the tune of $10bn per year by the carriers and asset owners. Essentially the users of the service are paying a discounted price for discounted service," he continued.

"I would guess that at some level this arrangement makes sense... paying a low

Continued on Page 2

Continued from page 1

price for basically unreliable service. However, modern supply chains require higher reliability and customers are asking for it. Getting service up to at least 90% reliability or at least multiple product offerings with one level providing 90% or better at an appropriate price would be a win/win for shippers and carriers."

His views on better quality or more bespoke container services were echoed by former Clarksons director Martin Stopford, who said the industry's current business model, based largely around bigger ship sizes, had not produced good returns. The net profits of seven liner companies with revenues of about $75bn averaged $1.5bn a year between 1996 and 2011, he calculated, representing approximately 2% of turnover.

Compelling case

"I believe that tomorrow's world would benefit from more differentiated container services," said Dr Stopford.

"There must be a compelling case for providing fast, efficient, high value-added services which are not easily achievable by companies locked into fleets of very big ships and rockbottom costs."

Mr Gernandt said the whole industry would be better off "if the realities of what is being sold and purchased today were opening discussed".

That needed to be a "you get what you pay for" dialogue and a value-based pricing contract.

This, he predicted, should lead to a broader service product offering that included higher freight rates for a premium service that guaranteed 90% or more reliability.

"Would the people who ultimately pay the bills — the beneficial cargo owners — be willing to pay more for reliable service choice?" he asked.

"I think they would. We clearly need more reliable service.

"Better service translates into lower supply chain costs and I think people will pay more to tap into this value."

RS Platou downgrades Maersk shares to neutral from buy
Move due to higher share price and 'disappointing' guidance for 2015
http://www.lloydslist.com/ll/sector/containers/article458289.ece

Offen confirms New York MLP plan

German owners move away from wreckage of KG system

CLAUS-PETER Offen is considering a New York IPO via a new entity, in a move that would mark him out as the only current German shipowner with a listing on the other side of the Atlantic, *writes David Osler.*

No name for the project – which Mr Offen stressed remains at the early planning stage – has yet been decided.

However, talks with potential backers are already under way, he told Lloyd's List, after unveiling his strategy at the Marine Money forum in Hamburg this week.

The announcement comes in the wake of Rickmers' resort to domestic high yield bonds and Lloyd Fonds' recent decision to transform itself from a KG initiator into a mainstream listed shipowner, indicating just how rapidly major players are moving away from the wreckage of the traditional KG model.

Hamburg shipping sources point out that Mr Offen has just been through a restructuring exercise that is widely believed to have written off a massive amount of KG capital.

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

Offen: "We are establishing a subsidiary, that's the idea. My company will remain 100% private."

As a result, Offen containership, tanker and bulker interests have been consolidated into new company CPO Holding.

Mr Offen made clear that this company will stay in Hamburg, and that any move to the Big Apple would require another company, most likely with a master limited partnership structure.

"We are establishing a subsidiary, that's the idea. My company will remain 100% private," he said.

"What we are considering is to establish an MLP, and that one we intend to take public, perhaps in New York. It will be separate MLP, in which we intend to keep the majority [stake]."

Notably, CPO Holding has hired a number of Hamburg shipping big guns, including former ER executives Hermann Klein as chief operating officer and Frank Bergert as chief financial officer.

Once ship finance specialist who heard the speech commented: "He is not sophisticated financially outside the KG system and he is doing lots of sale and leaseback transactions. He has hired financial people.

"I guess he has to take it to the next level, and if the Greeks can do it and [George] Economou, why not the Germans too?"

CPO Holding itself is clearly unsuitable for a listing, as it mostly operates KG vessels under management, in which he owns only relatively small minority stakes and in which the equity is likely to be underwater in many instances.

One possibility might be to instigate an IPO with some of the 13,000 teu vessels that he operates, packaged in a fleet with long-term charter cover.

Mr Offen said that the ships involved had yet to be decided, although he confirmed that no KG tonnage is envisaged for the project.

"They will be large boxships. There could be four to six large vessels," he added.

Asked as to the likely timescale involved, he said: "Our idea is in the next 12 months from now."

Continued on Page 3

Continued from page 2

A prominent member of the German ship finance community noted: "I admire [Mr Offen] for his fighting spirit, but after having lost probably well in excess of $1bn in equity — other people's money — he is not looking back, only forward. On to the next big thing! He is over 70 and did lose a significant amount of his own equity in the past years, although retaining more than we can ever dream of.

"Because of his age, he needed fresh blood on the senior management side to launch something like this."

But a US ship finance specialist predicted an Offen IPO would face a rough ride. "This is false optimism from someone who cannot get any more money from his home market Germany," he warned. "I strongly doubt that IPOs will find investor support when nearly half of the present publicly traded [shipping] companies face bankruptcy this year as the freight markets remain where they are or worse."

Four candidates confirmed in running for IMO secretary-general




From left: Max Mejia, Andreas Chysostomou, Juvenal Shiundu and Andreas Nordseth

IMO member states have until the end of the month to submit their nominations

LLOYD'S LIST has learnt that there are now at least four candidates seeking to be the next secretary-general of the International Maritime Organization, *writes Craig Eason.*

The IMO, a London-based division of the United Nations, is the main rule making body for international shipping.

The Philippines and Kenya are known to have joined Cyprus and Denmark in submitting nominations to the IMO's secretariat. IMO member states have until the end of this month to officially submit their candidates. There are rumours that the Republic of Korea and Panama may also decide to submit names ahead of the deadline

There may be others, but sources suggest that other countries have left it too late to make the political in-roads to gain international support for candidates.

The IMO secretariat has previously said it cannot comment on the number of candidates until the official period for submissions has closed at the end of this month.

A race began last year when the current secretary-general Koji Sekimizu, from Japan, announced he would stand down from the post at the end of this year, when his four-year term comes to an end.

Unofficial protocol at the IMO has allowed incumbents to assume a second term without opposition if the IMO Council agrees.

The 40 member states of the IMO Council will meet in the last week of June, where there will be a secret ballot in a first across the line vote. The winner of the vote will assume the post on January 1,2016 for an initial four-year term.

The current candidates are Andreas Nordseth, director-general of the Danish Maritime Authority, Andreas Chysostomou, acting director at Cyprus Department of Merchant Shipping, Juvenal Shiundu from Kenya who is currently in the IMO secretariat, and Max Mejia, head of the Philippine Maritime Industry Authority, know as Marina.

Some of the candidates are currently visiting IMO member states in attempt to secure votes, and it may be a first, but at least two are using social media to actively promote their candidacy.

IACS responds to Tokyo call on class rules

Following MOL Comfort incident, industry body says new requirements under development took Japanese government's suggestions into consideration

THE International Association of Classification Societies says it will study the Japanese government's final report on MOL Comfort, one of the largest ships ever lost at sea, having already taking some of Tokyo's suggestions into consideration when developing new technical requirements, *writes Max Tingyao Lin.*

The industry group made the remarks after Japan' Ministry of Land, Infrastructure, Transport and Tourism called for better class rules about containership structural strength in the report.

"IACS will carefully study the report as well as the recommendations formulated in the document, and will

Continued on Page 4

Continued from page 3

make public the results of this examination," according to an IACS statement.

Following the launch of an expert group on boxship structural safety with participation from ClassNK — which classed *MOL Comfort* — and other members, IACS in December announced the development of two minimum technical requirements for containerships.

Those rules, called Unified Requirements among class societies, will be finalised within months and begin to take effect in July 2016. Of them, UR S11A will set longitudinal strength standard for containerships, while URS 34 will deal with functional requirements for direct analysis by Finite Element Method of Containerships, including a set of loading conditions.

URs are minimum common technical requirements each IACS member need to incorporate into their rules. They do not address all the strength aspects of hull structures, which remain each class society's function and responsibility.

The MLIT concluded the five-year-old, 8,110 teu boxship could have split and sunk in the Indian Ocean in mid-2013 because sea loads exceeded the hull girder's ultimate strength, even though its design and construction followed IACS and ClassNK rules.

Therefore, the report's suggestions include that class rules should take into account the effect of lateral loads on bi-axial buckling of stiffened panels and whipping on vertical bending strength, which the IACS said the two new URs had taken into account.

The MLIT also said technical background, such as sea states, should be taken into consideration in class requirements for vertical bending strength. For this, the IACS replied: "Class societies' rules already consider the strength of the ship under specified operating and environmental conditions corresponding to its entire life."

Lloyd's Register to class MOL's 20,150 teu ships
UK classification society builds on close relationship with Japanese owner
http://www.lloydslist.com/ll/sector/containers/article458235.ece

Brussels must work with shipping to promote market access, urges Ecsa president

Rehder: Easing the Jones Act restrictions would create employment and business for the US as well as Europe.

Europe must play its role as an international trade partner, says Rehder

THE European shipping industry needs to work with the European Union to ensure free trade agreements remain in place if it is to grow its way out of the retrenchment of the past seven years, *writes James Baker.*

European Community Shipowner Associations president Thomas Rehder told Lloyd's List that maintaining a level playing field for shipping was a critical for competitiveness and that the EU had an important role to play in that.

"We are looking to Europe to play its role as an international trade partner," Mr Rehder said.

"The Transatlantic Trade and Investment Partnership is one example, but there are many areas in the world where there are market restrictions for shipping and where the EU has a political clout and power that it can use to the benefit of the shipping industry. This is one are where we can work together with EU officials."

The offshore market in the US that falls under the Jones Act and is not open to European shipping. That is an area where Mr Rehder would like to see change.

"A European company is not allowed to own more than 25% of a US-flagged ship. That is a field that needs to be opened if we are to expand the market for European shipping," he said.

"Likewise, 80% of transport within the North American Free Trade Agreement area is overland and not by sea. So there is potentially a very big market that can be opened for shipping and for European shipping.

"I don't think we can overturn the Jones Act but we may be able to pierce the Jones Act in very limited areas. Why should liner companies set up their hubs in Jamaica to do international feedering from there rather than a port in the US? I think that would benefit the US as much as it would generate opportunities for Europe."

Mr Rehder said opening up the Jones Act to some degree would create employment and business for the US as much as it would create business for Europe.

"The carriage of international bill of lading cargo in areas that are covered by the Jones Act is a real interest for European liner companies. It would create business for the European lines and for charterers," he said.

Continued on Page 5

Industry viewpoint: The Jones Act — Time for repeal ?
Increasing domestic pressure in the US might assist the TTIP negotiations and lead to easing of some restrictions but don't hold your breath
Lloydslist.com/regulation

Continued from page 4

"We have a commission that is negotiating TTIP and should give them some material to defend European companies."

Mr Rehder's calls were supported by Swedish MEP Christopher Fjellner, who said that free trade was the most important issue for shipping.

"Right now we have a huge debate across Europe about the free trade negotiations with the US. The negotiations are going well but the debate is not going well."

Increasingly protectionist policies were threatening to close down free trade negotiations, Mr Fjeller said. "We managed to get an agreement with Canada but that has not even been put to the European Parliament yet because we are afraid that there are protectionists in Europe that might stop the agreement," he said. "That is the bigger threat if we let the protectionists win."

Europe had been successful in shipping because it had an outward looking attitude. "If we change that to being more protectionist, the first line of business that will suffer from that will be shipping."

Oakland on track for normal operations

Vessel logjam expected to disappear within 10 days

CALIFORNIA's port of Oakland expects its vessel logjam to disappear within 10 days as the cargo backlog is cleared following the tentative agreement between the Pacific Maritime Association and the International Longshore and Warehouse Union late last month, *writes Janet Porter.*

Like other ports along the US west coast, Oakland has been plagued by delays and gridlock in recent months caused by productivity slowdowns during the labour negotiations, and scheduling problems as the big alliances created congestion in Los Angeles and Long Beach. As a result, some lines started skipping Oakland altogether in order to make up for lost time.

Others, though, found themselves caught up in long delays as they waited to berth at Oakland, with as many as 20 ships anchored in San Francisco Bay or near by at one stage before they could dock.

That number is now down to six, the port said in a status report on Friday.

At the same time, terminals are less congested, turnaround times are faster, and productivity is improving.

"This isn't victory — there's still a great deal of work to do," said Oakland maritime director John Driscoll. "But we're seeing good collaboration between labour, terminal operators and harbour truckers and our customers will soon benefit from faster, smoother cargo flow."

Terminals are now working nights and weekends to improve cargo flows.
Sheila Fitzgerald/ Shutterstock.com

Port officials said marine terminals had cleared out the import build-up in their container yards. Delays are now mostly limited to containers still stowed on ships awaiting berths. The port cautioned, though, that temporary yard delays may recur as workers accelerate operations to eliminate the vessel backup.

Terminals are now working nights and weekends to improve cargo flow.

Earlier in the week, Oakland''s executive director Christopher Lytle had told Lloyd's List that the protracted contract negotiations had had a "devastating" impact on local commerce.

"Our customers were beside themselves because they either could not get their export loads out and it was spoiling on the docks, or not get their import loads, their spring sale items," he said.

"They remain very upset, and it will take a long time to win back their confidence."

Total cargo volumes through Oakland were down 32% in January, with import

Continued on Page 6

More online

Slow start to the year for container volumes
http://www.lloydslist.com/ll/sector/containers/article458271.ece

Container Freight Weekly – rates slip again
http://www.lloydslist.com/ll/sector/containers/article458305.ece

Mitsui OSK and Höegh joint venture lands Volvo exports deal
http://www.lloydslist.com/ll/sector/ro-ro/article458258.ece

Continued from page 5

container numbers plunging almost 40%.

In its update, Oakland said marine terminals had cleared out the backlog of imports that had been stranded in container yards. As they are discharged from ships, imports are available for immediate pick-up. That's in stark contrast to previous months when cargo owners waited weeks to collect loaded containers.

Terminals are again opening their gates to exports destined for overseas markets, while requests for longshore labour to work in terminal yards are being filled. Some labour shortages in vessel operations are being reported at Oakland and other west coast ports, "due to extraordinary demand created by the vessel backup".

On average, 10 ships a day are being loaded and unloaded in Oakland, compared with a more typical three to five.

Gantry cranes are moving 25-to-30 containers per hour, close to the port's historic average of 30-to-35 moves.

Even though operations are gradually returning to normal, Mr Lytle acknowledged that customers are likely to remain very unhappy with the situation for months, if not years to come.

Addressing shippers and other stakeholders at a meeting of the Waterfront Coalition this week, Mr Lytle said his industry had to change.

"We can't go back to the way it was; that's not acceptable," he told an audience that included Federal Maritime Commission chairman Mario Cordero. "We have to do a better job for our customers if we want to hold onto our market share."

Where is the demand growth for all this new LNG?

The Pluto LNG project, Western Australia: Abundant LNG is set to enter the market from Australia, the US and possibly Canada.

Producing new LNG and hoping the demand will be there seems like a risky strategy that puts the fate of the ships in question

DEMAND growth for liquefied natural gas is deeply worrying for the LNG shipping industry, with people wondering where all the new LNG cargoes will go, *writes Hal Brown.*

The situation casts a shadow over the fate of the global fleet.

Cargo supply does not appear to be a problem; an abundance of new LNG is poised to enter the market from Australia, the US, possibly Canada and further into the future, East Africa.

New ships are being ordered for these new LNG supply projects; at the last count some 165 newbuildings were in the orderbook, and the figure is rising.

Many of these new orders have already been assigned to specific LNG projects, but many have not.The key question for the LNG shipping industry is where the growth in demand for LNG is going to come from.

Without demand growth for LNG, ships start to look redundant.

Japan is the biggest global demand centre for LNG, taking 17.8m cu m in February on 128 shipments, according to Lloyd's List Intelligence data.

The problem here is that Japan's nuclear power restarts will limit demand growth, and erode current demand slightly.

The Energy Information Administration believes Japan's nuclear reactor restarts could begin as soon as May this year.

South Korea, the second-

Continued on Page 7

Continued from page 6

biggest LNG consumer in the world, does not have much spare import capacity.

China and India, while both have great potential as importers, cannot be relied upon to prop up the demand side of the equation by themselves over the next few years.

China has signed a major long-term deal to receive piped gas from Russia. And like India, China is sensitive to price, not wanting to pay for expensive LNG imports if alternatives are available.

Moreover, new Indian LNG import terminal capacity is in jeopardy due to energy companies cutting back capital expenditure following the lower oil price.

"Where is all the demand for the new LNG?" asked Total vice-president of LNG Jacques Besse at the Informa LNG shipping conference last week.

Holmwood Consulting managing director Leigh Bolton is also concerned about demand growth. "From where? is the key question for the industry," he told Lloyd's List.

China and India remain limited for the time being due to price, and Southeast Asia is only likely to account for small volumes of demand growth at the moment, he says.

Demand struggling

European demand has been struggling for a while as cheap coal arrives from the US.

And South America will only account for a bit of the demand equation.

"Oversupply [of LNG] is going to last quite a while," says Mr Bolton.

Without robust demand growth, the fate of the fleet is in question.

While experts say all the vessels in the fleet and on order will eventually be needed to support all the new cargoes set to enter the market over the next few years, no clear answer has been provided on where those cargoes will go.

Producing new cargoes, then hoping the demand will be there, seems like a particularly risky strategy for the LNG industry.

Rongsheng scraps warrant issue following arrest of key subscriber

Beleaguered shipbuilder's hopes of raising $416m are dashed

Up to September 30, 2014, Rongsheng recorded an accumulated loss attributable to shareholders of $532.4m.

RONGSHENG Heavy Industry is to abandon a warrant sale that was expected to raise as much as HK$3.23bn ($416m) for the company, amid a reported arrest of the buyer, casting a shadow on its already-difficult restructuring plans, *writes Cichen Shen.*

The Hong Kong-listed shipbuilder said in an exchange filing that it was aware of recent media reports that Wang Ping, owner of the subscriber Kingwin Victory Investment, had been detained by Beijing police for investigation on matters unrelated to the company.

Mr Wang, an experienced and reputable Chinese businessman, is suspected of being involved in a money-laundering crime in 2013, local media allege.

"[The company] has been unable to contact Wang Ping, which casts doubt over the ability of the subscriber to perform its obligations under the subscription agreement prior to the long stop date of March 31, 2015," the filing said. "In light of the current circumstances, the board has decided that it is not in the best interests of the company and its shareholders to proceed with the warrant issue.

"The company will seek legal advice on the arrangement regarding proposed resolution," it added.

According to China's business magazine Caixin, Rongsheng's board has decided to scrap the issue, which was scheduled for vote at the incoming shareholder meeting on March 13.

Kingwin agreed the deal with Rongsheng in October to purchase the share warrants issued by the latter at a total cost of HK$510m ($65.76m).

The warrants can be exercised to buy up to 1.7bn new Rongsheng shares at HK$1.60 each, or HK$1.20 within six months from the issue date.

That was expected to help the company raise as much as HK$3.23bn in total, including the warrant cash.

The fundraising was important for cash-strapped Rongsheng as the shipbuilder is planning to restructure its shipbuilding business while also venturing into the energy business.

Last year, it issued HK$2.2bn worth of new shares to New Continental Oil & Gas via a private placement to acquire 60% of the shares of its subsidiary in Kyrgyzstan.

Up to September 30, 2014, Rongsheng recorded an accumulated loss attributable to shareholders of $532.4m, while the debt-to-asset ratio stood at 93%.

D'Amico satisfied with product tanker fleet size as it prepares for upturn

New Middle Eastern refinery capacity presents cargo-carrying opportunities for Italian tanker company

D'Amico wants to keep its fleet at around 45-60 ships, says Marco Fiori.

D'AMICO International Shipping believes it now has the optimum size of fleet to benefit from the expected upturn in the product tanker market, *writes Hal Brown*.

"We like to keep it around 45-60 ships," d'Amico chief executive Marco Fiori told Lloyd's List.

A sweeping programme of fleet renewal over the last couple of years has resulted in a fleet of 53 product tankers for the Milan-listed company. This number includes owned and chartered-in vessels.

Scorpio is the largest product tanker player with a 68-strong fleet, according to Clarksons.

D'Amico expects to deploy its new-look fleet to take advantage of cargo-carrying opportunities in producing regions such as the Middle East, said Mr Fiori, speaking from d'Amico's Rome head office.

Product exports from the Middle East are likely to record a steady growth rate over the next five years, driven by new refining capacity getting up and running.

Very pleased

Middle Eastern exports will rise 15% from 2014's 162m tonnes to around 196m tonnes by 2019, DVB Bank has forecast.

Around 70% of those exports out of the Middle East will go to Asia, boosting tonne-mile demand for product tankers.

"We're very pleased," said Mr Fiori, whose company saw its 2014 vessel earnings rise from the previous year, but posted a net loss due to the negative impact of bunker hedging.

Long range product tankers saw further rises in spot market earnings by close of business on Thursday.

Long range two tankers hauling Middle Eastern naphtha cargoes to Asia saw earnings rise around $700 to around $27,400 per day, while long range ones saw earnings climb around $1,200 to around $24,000 per day, according to Baltic Exchange data.

MICHAEL GREY VIEWPOINT

Coping with bigger measures

Pilots are having to operate with bigger and bigger 'envelopes' and with smaller and smaller margins for error

HOW do you get a quart into a pint pot? Of course you can't unless you are in the shipping industry and you wish to take your enormous ship into a port that probably won't accommodate it. You will then threaten the port authority that if they won't let your ship in because of some specious excuse about its size, then you will take all your custom elsewhere, *writes Michael Grey.*

The port authority, seeing financial ruin fast approaching with the loss of such a customer, will announce a programme of dredging, producing predictable shrieks from the local greens, who announce that they will fight this environmental catastrophe in the highest court available.

The port authority, who realise the programme will take years to accomplish against such opposition, then lean heavily on the harbourmaster and the pilots, suggesting that with just a little extra effort and expertise, helped perhaps by the tide and the tugs, it will be perfectly safe to accommodate the bigger ship.

Modern ships, it will be pointed out, are so very manoeuvrable, with their thrusters and clever rudders, that they can spin around with a couple of feet clearance at bow or stern. The harbourmaster will run the survey boat over the channel if the ship is fully laden. The bottom is mostly soft mud, isn't it? Put like this, it is not really an issue.

None of this is entirely a figment of my imagination, as such a situation is likely to accompany the "cascading" of containerships displaced from their initial trade by the arrival of bigger ships. It is already a problem in one important South American port, where the pilots are cutting up rough at the longer, wider and deeper ships they are expected to handle, which they believe constitutes too much of a risk without dredging.

One would like to think that no port management would be so stupid that they would permit the entry of ships that were too large for safety. But as always, it is a matter of degree and definition and what we mean by a "safe" margin.

Who decides what is "safe" anyway? Is it the harbourmaster? Surely the pilots, who are the people who handle the ships every day, should have an important say in the matter? Or should the final word be given to the masters of the ships, who

Continued on Page 9

Continued from page 8

must remain responsible for their safety?

What about the port manager, or even the responsible government agency, which probably retains some sort of handle on what is meant by marine safety within its jurisdiction?

Realists will probably suggest that this has been going on for ever, and the current problems of the cascading containerships just the latest manifestation. Boundaries and port limits are there to be pushed, as they always have been.

I am old enough to recall the earnest debates in professional circles when very large crude carriers first appeared, when clever oil company executives suggested that it was perfectly safe to bring one of these babies up a 20-mile channel on the top of the tide, to sit in a dredged hole alongside the berth.

The fact that it was done, mostly without incident, has probably given encouragement to port and shipping people to this day. We thought that medals should have been struck for the masters and pilots of these monstrous ships, but a letter of thanks would have probably been their only reward, if they were very fortunate.

Who decides what is “safe”? Surely the pilots should have an important say in the matter?

Tribute to pilots

These days we have brilliant simulators, where pilots can rehearse their manoeuvres before the new giant customers heave over the horizon. But it is still a tribute to pilots that they can seemingly extrapolate their skills to operate with bigger and bigger “envelopes” and with smaller and smaller margins for error.

At a time when this is all happening and our dependence on pilots’ skills to keep these big ships safe seems to be becoming greater, you wouldn’t think that certain ports were attempting to suggest that they could get away with less experienced pilots, presumably because they were cheaper. But this, alas, seems to be the case in a number of UK ports, which have been encouraged by a lack of government oversight to cut corners in the way that they authorise qualified marine pilots.

Many ports would not dream of seeking anything other than the very highest pilotage standards, but according to Birkenhead lawyer Barrie Youde, the fact that the UK’s Department for Transport maintains a hands-off attitude to the provisions of the 1987 Pilotage Act, leaves the harbour authorities very much in the driving seat.

Mr Youde, a former pilot himself, has been for years campaigning indefatigably for the maintenance of highest standards, pointing out that common law prescribes these, particularly where pilotage is imposed in a compulsory fashion.

His assertion is strongly backed up by the Transport Select Committee, which reported on the matter two years ago, but without any subsequent action by the Secretary of State for Transport. It is, he suggests, a conflict in which the state, which appears to wish to remain aloof, is ranged against the judiciary, which in the case of the *Sea Empress* disaster of 1996, ruled unequivocally, that where pilotage is compulsory, the highest standards are required.

The argument has been going on for so long that one is tempted to suggest that it has become almost philosophic, but nothing could be further from the truth as the matter is both intensely practical and very topical.

It is about competence and experience and the very real risks that arise when ships are handled with increasingly tight margins. The “cascade” of containerships should not be at risk of becoming a cascade of spilt oil, or boxes floating in the tideway, if the margins are rather tighter than they first appeared.

rjmgrey@dircon.co.uk

Lloyd’s List

Editor Richard Meade *+44 (0)20 7017 4636*

Deputy Editor Craig Eason *+46 858 766 232*

Digital Content Manager Helen Kelly
+44 (0)20 7017 4651

Digital Publishing Manager Nicola Good
+44 (0)20 7017 4840

Editor-in-Chief, Containers Janet Porter
+44 (0)20 7017 4617

Finance Editor David Osler *+44 (0)20 7017 4628*

Senior Markets Reporter Hal Brown
+44 (0)20 3377 3956

Editor-in-Chief, Asia Tom Leander *+852 3757 9701*

Senior Reporter, Asia Max Tingyao Lin *+852 3757 9706*

Markets Reporter, Dry Bulk David Sexton

US Reporter Alexander MacInnes *+1 212 520 2780*

Containerisation International
Editor Damian Brett *+44 (0)20 7017 5754*

Markets Reporter, Containers Linton Nightingale
+44 (0)20 7551 9964

Correspondents
Australia Jim Wilson *+61 403 455 371*
jim.wilson@informa.com.au

Greece Nigel Lowry *+30 210 621 2340*
lowry@otenet.gr

Sweden/Baltic Craig Eason *+46 858 766 232*
craig.eason@informa.com

Shipping Movements *+44 (0)20 7017 5280*

Casualties *+44 (0)20 7017 5205*

Subscriptions *+44 (0)20 3377 3792*

Editoral and commercial inquiries
Lloyd’s List, Christchurch Court, 10-15 Newgate Street, London EC1A 7AZ
Tel: +44 (0)20 7017 5000
Fax: +44 (0)20 7017 4782
Email: editorial@lloydslist.com
Published by Informa UK Ltd.