

Newsletter March 2000

TO: ALL IMIF MEMBERS

March 2000

So it is 2000, a new Millennium, and even more important, the 25th birthday of IMIF. It is also my 20th anniversary as IMIF's Chairman, so our Dinner on 1st November will have to be more than usually festive.

The Millennium has begun with, it seems to me, symptoms of real change in the Maritime Industries. It is interesting to look at the different sectors.

The Shipyards.

Particularly in the Far East yards are still fighting for orders at seductive prices. Owners are tempted at these reputedly "unrepeatable" offers but are finding that obtaining finance is becoming difficult. Bankers, whose fingers have been burnt in the past, have far more attractive areas for lending than the essentially speculative Bulk market. Thus it is the yards themselves who are more and more having to find finance for the vessels and take much of the risk. Will the small entrepreneurial shipowner be able to survive in these circumstances? A difficult question. As one of our senior Bank members has recently commented " It is getting tougher and tougher for small and medium sized owners because all banks are aiming at quality. Owners will need to put in much more equity because the Banks are so risk-averse." Similarly the performance of the Bulk market, wet and dry, is such as not to commend it to the quoted company: the return on Capital employed is simply too small to satisfy investors and here again there are currently far more apparently exciting opportunities (e.g. the I.T. world and the Worldwide Web, Internet etc) available.

The Shipowners.

Freight rates continue to remain at an unsatisfactory level. A newbuilding simply cannot earn enough to justify itself. This indicates that at long last shippers will have to involve themselves (once again) in long-term charters or the actual ownership of ships.

In the former "Liner" Trade - now Containers - carriers have been obliged to form themselves into ever larger consortia and to involve themselves in the whole transport and handling situation i.e. they have transformed themselves into total Logistic operators rather than sea carriers.

Meanwhile the new world of Internet is intruding into the activities of shipping ... everything from Sale. & Purchase to Chartering as well as Market Analysis.

The serious point that I made in my peroration at last year's Annual Dinner was a reference to Scrapping. The Amsterdam Conference highlighted that "Greenpeace" activists were keenly interested in the present Scrapping methods of the Third World Countries (an initiative about which those countries themselves were far from happy). I alluded to an initiative by the Dutch Government under which the importers of cars into the Netherlands were made to pay an extra 2% of the selling price in order to create a fund which was devoted to ecologically friendly methods of car demolition. Under this scheme "useful" and "harmful" parts of the vehicle were stripped off before the car went for crushing. I could see in this an initiative that could be applied to ship "recycling" (the new friendly description).

This fantasy has been generally rejected by nearly everyone in shipping (echoes of Scrap and Build)

but I do commend to our members that you should give further constructive thought to it.

One of IMIF's members, BP Shipping Ltd, has responded to environmental demands in their own way. Recently they are reported as having put two of their VLCCs (British Resolution and British Reliance) into China's Xinhui Shipbreaking & Steel Co for scrapping at a lower rate than they could have obtained in India because they consider the Chinese breaking methods to be more environmentally friendly than those used in India. Whether this approach will be emulated by other less affluent owners remains to be seen.

IMIF continues, with your assistance, to involve itself in a variety of functions and promotions.

Reference is made here, and in more detail elsewhere, to some of them. The Annual Dinner in November produced the largest attendance yet, well over 400 members and guests. One wonders whether our usual hotel can accommodate many more.

Two buffet luncheons, one hosted by David Southwood of Heath Group in October and the other by Gordon Hall of Norton Rose in November attracted a wide-ranging group of IMIF delegates eager to contribute their points of view to the discussion. The speakers were respectively Simon Beale, Lloyd's underwriter and Alan Cubbin of the Maritime and Coastguard Agency.

Three very different topics will be raised at our next series of buffet lunches. In April Tony Nunn will talk on "Erika" and the fall out from that unhappy event; in May David Cockcroft is again inviting us to lunch at ITF House for an update on ITF's various activities and campaigns / including of course the anti-FOC initiative - and in early July the shipbreaking spokesperson from Greenpeace International, Simon Carroll, will address us on shipbreaking issues as Greenpeace sees them. An IMIF delegation will be visiting Southampton in May to continue discussions with Alan Cubbin and other MCA representatives on PSC developments.

The exchange between the Dutch Directorate-General of Environmental Protection and IMIF continues. The project leader Kees den Herder came to see us at the Baltic Exchange a few days ago. The next Conference on Ship (Recycling) Scrapping sponsored by the Dutch Government will be held in Amsterdam in September this year and I shall be speaking there on behalf of IMIF.

You may have noticed a series of advertisements in Lloyd's List proclaiming the "1st International Shipping Convention" organised by Lloyd's List and endorsed by IMIF which will take place at Hurlingham in October. IMIF will be actively involved in promoting and assisting with this event and more news will be made available as events unfold.

There will be a morning meeting of the IMIF Shipping Bankers' Forum at the end of this month followed in the afternoon by a meeting of the IMIF Steering Committee. We must yet again offer thanks in advance to Struan Robertson and Sinclair Roche & Temperly for their willingness to host these IMIF meetings and the luncheon in between.

On 1st July 1998 three IMIF representatives, David Southwood of Heath Group (as it was then), marine surveyor Capt. Chris Spencer of C F Spencer & Co and Ian Bouskill, Secretary of IMIF went aboard the ITF exhibition ship 'Global Mariner' to attend the launch ceremony of the vessel at the commencement of its round the world trip promoting ITF's campaign against FOCs and sub-standard shipping. In addition to this theme it was probably an unusual opportunity for members of the non-seagoing public around the world to board a merchant tweendecked geared cargoship. On Sunday 13th February 2000 "Global Mariner" having returned to her original launching berth at

West India Docks held a welcome home party to celebrate the completion of the venture. Chris Spencer and Ian Bouskill again represented IMIF and spent an afternoon and evening viewing the exhibition, watching films of the voyage, hearing speeches, enjoying the hospitality (which I am told was extremely liberal) and witnessing a spectacular firework display as evening fell. Chris Spencer has committed some thoughts to paper which appear elsewhere in this letter.

May I ask you to enter one **special** date in your diaries, along with those which appear on the events page, namely **Wednesday 1st November 2000**. The initial formative meetings of IMIF took place in October and December 1975 and therefore this particular Annual Dinner will, as already mentioned, celebrate IMIF's 25th Anniversary. I do hope that you will be able to attend.

While mentioning dates may I recommend a most useful reference publication when planning your diary schedules, namely "Maritime Events Quarterly" published by Landscape Maritime Associates Limited. Tel 020 8291 4545 or fax 020 8291 3113 for further details.

I am pleased to welcome the following new members:-

Braemar Shipbrokers	Mr Alan Marsh
Det Norske Veritas	Mr H Tangen
Liberia International Ship & Corporate Registry (LISCR), London office	Mr A R Goddard

Last but not least may I remind all of you that whenever you are in the St Mary Axe area you are always welcome to drop in and visit us at our offices in the Baltic Exchange. We look forward to seeing you.

J G DAVIS

IMIF Function Report

Thursday 14th October 1999

IMIF buffet-luncheon hosted by **David Southwood**, Director, **Heath Aviation Marine & Energy**, 133 Houndsditch, London EC3A 7AH 12.30 - 14.30 hrs

Speaker - Lloyd's underwriter **Simon Beale**, talking on "**The current marine insurance market**".
attending:-

David Southwood - host - Heath Aviation Marine & Energy

Simon Beale - speaker - Lloyd's underwriter

Jim Davis - Chairman - IMIF

Nigel Barton - Citibank NA

Alan Brauner - Sinclair Roche & Temperley

Andreas Chrysostomou - Cyprus High Commission

Dominic Coleman - Heath Aviation Marine & Energy

Anthony Cunningham - Moore Stephens

Trevor Fairhurst - Fairwind Shipping Ltd

John Faraclas - Shipping International Monthly Review

Mike Fountain - Heath Aviation Marine & Energy

George Greenwood - Steamship Mutual Underwriting Association Ltd

Richard Greiner - Moore Stephens

Jonathan Harrold - Heath Aviation Marine & Energy

Robin Healey - Ince & Co

Leif O Hoegh - Leif Hoegh (UK) Ltd

Malcolm Jupe - Drewry Shipping Consultants Ltd

Nigel Kemble Clarkson - Heath Aviation Marine & Energy

Matthew Los - Greek Shipping Co-Operation Committee

Otto Norland - Deutsche Schiffsbank AG

David Reynolds - Clyde & Co

David Taylor - International Underwriting Association of London

Sarah Taylor - Holman Fenwick & Willan

Karl Timmemann - Associated Bulk Carriers Ltd

Anthony Yannaghas - Intercargo

Ian Bouskill - Secretary IMIF

IMIF delegates were treated to an in-depth analysis of the Marine Insurance Market by **Simon Beale** of **K J Coles**. He started by admitting this to be a miserable time for hull insurers with insurance rates at the lowest point since 1991, adding that this had to be good news for shipowners especially in the light of recent freight rates. He described the cyclical problems of the insurance market - the shipping market's freight rate fluctuations, ISM, and general problems including the "millennium" issue. The major problem was "the vicious cycle in the hull insurance market... which was one of the most volatile classes" - and the challenge - that of reducing the impact of the cycle.

Detailed graphs illustrated hull rate movements, deductible movement and rating indices, and the implications. Simon suggested that just as profit and loss was the main driver of the cycle, so capacity was the fuel, increasing in profitable times and reducing in the bad. He concluded by emphasising the importance of client relationships and the need for "long-termism" to flatten the cycle. After further debate JGD thanked Simon, adding that what he had heard confirmed that this was the only industry he knew where people pursued unprofitable business. He wondered if this was a cycle or as had been said elsewhere, "a stable position of chronic oversupply!"

IMIF thanks David Southwood for hosting another thought-provoking luncheon.

IMIF Function Report

Friday 12th November 1999

IMIF buffet luncheon hosted by **Garden Hall**, partner, **Norton Rose**, at Kempson House, Camomile Street, London, EC3A12.30 - 14.30 hrs

Guest speaker - **Alan Cubbin, Maritime and Coastguard Agency**, Director - Maritime Safety and Pollution Development speaking on "**Port State Control - Now and Future Development**".

attending:-

Gordon Hall - partner, Norton Rose - **host**

Alan Cubbin - Maritime & Coastguard Agency - **speaker**

Alan Brauner - **Deputy Chairman, IMIF Steering Committee**/consultant S R & T

Joacim Atkinson - Sinclair Roche & Temperley

Robin Bradley - Permanent Secretary, International Assocn of Classification Societies IACS

Nigel Carden - Thos R Miller, UK P&I Club
Richard Clayton - Senior Editor, Fairplay
Dr James Cowley CBE - Perm.Repr.to the IMO, Vanuatu Maritime Administration
Anthony Cunningham - Moore Stephens
Mike Dance - Hewett & Co
Norman Douglas - le Lloyd Anversois
Philip Embiricos - Embiricos Shipbrokers Ltd
John Faraclas - Shipping International Monthly Review
Regina Faraclas - daughter of above.
Trevor Fairhurst - Director, Faiwind Shipping Ltd
Richard Greiner- Moore Stephens
Rex Harrington - Consultant, former Director of Shipping, The Royal Bank of Scotland
Roger Holt - Secretary General, Intercargo
John Kontogiannis - Director, Greek Shipping Co-operation Committee
Jeff Locke - Hewett & Co
Janet Porter - Lloyd's List
David Southwood - Director, Heath Aviation Marine & Energy
Capt. C. Stylianos - Andros Maritime Agencies
Ian Teare - Norton Rose
Capt. Jatin Thaker - C F Spencer & Co (Marine Surveyors)
Paul Williams - Norton Rose
Ian Bouskill - Secretary, IMIF

Alan Cubbin gave the background to the merger of the Safety Agency with the Coastguards, explaining that the CG (many of them ex-fishermen) were now being usefully used to target fishing vessels. The PSC had been in place since 1978. He emphasised that responsibility for safety lay first with the shipowner, then the flagstate, then PSC - with most of the work falling on PSC.

In the UK 58,000 deficiencies had been recorded - "a hell of a lot" - many minor, some serious. Percentage rates for detentions were declining (9.9,9.8,9.7%) and ISM was in force but was running out of impact. Good owners observed it and bad owners evaded it. There had been a special survey of bulk carriers with 80 vessels targeted and 8 detained, all IACS ships. Flag performance continued to be monitored with 3 flags attracting particular scrutiny. Equasis, once established, should be useful, allowing the industry to have an overview of a vessel before it is chartered. The newly emerging PSC's were causing concern. He cited 6 vessels which quite clearly went to Southern Europe to get PSC certification before coming to N. Europe - where all 6 were detained. The discussion expanded with other maritime regulator heavyweights including Dr James Cowley and Robin Bradley of IACS contributing.

IMIF extends its thanks to Alan Cubbin and Gordon Hall.

The ITF ship "Global Mariner"

Some random thoughts...

The "Global Mariner" has been best described by Michael Grey in his article in Lloyd's List, the

headline to which ran "Journey's end for ship which should bring shame to the industry". I agree with almost everything Michael says and my only regret about the whole matter is that no plan was in place for what to do with the vessel next; hopefully something is going to happen. The message appears to have been well received around the world and one would hope that highlighting the bad boys will do something for the good boys.

Sadly, however, I doubt it is going to do anything to encourage anybody to actually take up seafaring. On this point I think we have a problem in the Western world in general and even within organisations in the United Kingdom, including the IMIF. Like most industries, one can state in a job which seems on the face of it boring but with prospects, one might think of bank clerks and insurance agents. But the possibilities to actually move onwards, upwards and even to branch outwards are, in virtually every single case, quite phenomenal. Sadly, nobody seems to have explained this to the youth of today and in many cases to the youth of yesterday.

What is fantastic about the shipping industry is that going to sea is actually, contrary to popular belief, quite a pleasant activity once one is clear of the land. Yes the paperwork has become onerous, yes the crews have been reduced and there is more stress, but if you want stress try running a small business in the UK today; the only difference is, if you sink, you don't drown.

When one has been a ship's officer for a few years, it is possible to move into diverse occupations such as pilotage, surveying, consultancy, insurance, banking, ISM auditing, port captaincy, shipping company offices, P & I company offices etc; the range of jobs is almost endless. It is also possible to become expert witnesses, arbitrators, to move into the legal profession as a paralegal or even as a fully fledged solicitor but with marine skills.

I find it strange, therefore, that the industry is so poorly seen by virtually everybody in this country and I think it is behoves all of us to stop writing about how poor the image of the shipping industry is in the shipping press and to write it in the national press where there may be some point. We are already convinced. So I think the "Global Mariner" has been a resounding success for ITF, Trade Unions and in supporting the downtrodden all around the world.

What it has not done, at least not yet, is to do anything at all for this country and its marine activities or industry. One would hope that the marine industry as a whole will now give some support to the ideas that are being considered for the future of the industry.

Much like the IMIF's call for the scrapping policy and reduction of ships, I wonder whether the IMIF would be interested in calling for larger crews, safer ships, safer seas, a safer environment, or whether that would be going too far?

Captain Chris Spencer

C F Spencer & Co. Ltd.

Press Cuttings

Lloyd's List

December 10 1999

No international meeting would be complete without "Scrapping Jim" Davis doing his Cassandra impression and pointing to the perennial over capacity in the industry which has turned the

International Maritime Industry Forum from a crisis committee into as permanent a feature as the Plimsoll Mark. One fears his "scrapping tax" will be a non-starter.

Lloyd's List

October 28 1999

Ebb and flow

To the headquarter *ship Wellington*, chartered by Bimco for high powered day on dry bulk matters, chaired with his usual élan by Jim Davis. Over-all the message was perhaps conflicting, with the cheerfulness of Philip Rogers and James Freeland contrasting with a rather more gloomy George Gratsos.

New kid on the block was Graham Ewer, formerly a major-general but now chief executive of the Institute of Logistics and Transport, itself a new creation that seems an exciting development. He had timed his lecture to coincide with an exceptionally high tide, which meant no one could get ashore until he had finished!

The Copenhagen based organisation offers an increasing number of these events as part of its educational service to its members.

The next, we are told is November 8-10 on "Preparing for the Unexpected" which offers training in contingency planning. If you are unprepared, call them at once.

Lloyd's List

March 27 2000

Sax and the shipowner

SO to Stamford for the Connecticut Maritime Association conference, where local shipping legend (or should that be myth?)

Ole Skaarup brought the house down with his now annual Commodore Award dinner performance, styled somewhere between Victor Borge and Jim Davis.

JGD comments that while it is nice to get an "honourable mention" he would like to point out that he was in fact 1000 miles away from the actual conference!

Fairplay.co.uk

November 11, 1999

Recycling or scrapping?

Jim Davis laughs again (and again)

WHAT is the difference between scrapping and recycling? Quite a lot, as far as Jim Davis, chairman of the International Maritime Industries Forum (IMIF), is concerned. For years, he has been known as Mr Scrap-and-Build, and a small cheer went up at last Wednesday's IMIF annual dinner when he finally got round to his pet topic. But now he has picked up a new word; recycling. It's a term that is being increasingly used to underline the point that most of a scrapped ship is reused.

At least, it is at the moment. The European Commission is looking at the feasibility of an environmental scrapping industry in Europe, and the recycling question will surely be a vital element. Safe, efficient and 'green' scrapping is all very well, but if there is no demand for the equipment, furnishings, ropes and other items that are currently snapped up eagerly from the scrapping beaches, they may be replacing one problem with another.

But Jim offered a possible solution, which could be applied to the existing scrapping industry. Why not impose a levy on new-buildings of, say, one per cent of their cost? This would go into a fund "which would build up at a huge speed," he believes. The Dutch have successfully introduced such a scheme for their cars, all of which are imported, he says. One impact has been to increase the proportion of each car that is recycled from 64 per cent to 75 per cent,
