

I must start on a sad note.

On 14th December Bengt Molin died. Most of you will remember Bengt with affection remembering his 9 years (from 85 to 94) as Secretary of IMIF. He was a great colleague despite the fact that I found it hard day by day to figure out from his lugubrious expression whether he was happy or sad. He always assured me that he was in the jolliest of forms.

Among all other activities he came on several of our Far East evangelistic missions and was a very popular fellow traveller.

I tried hard to cure him of his one bad vice which was to smoke cigarettes like a Swedish Factory Chimney. I failed conspicuously. He died at the, in my view, young age of 73. His Widow Siev is not at all in good health and we must just hope that she is coping in her solitude. The Molins were throughout a long married life very close.

I have now reached my 50th year in Shipping - in fact 56th if the RN period and Cambridge were added - and can scarce remember a more dramatic period than the last 12 months. I somewhat gloomily forecast in my last letter of August 2001 that things were looking bad and very different from the euphoria of 2000. Then came "9.11" as the US calls it. The basic ingredient for a collapse in rates - overtonnaging in all sectors with many new building orders yet to be delivered - was already in place. The new ingredient which followed that dreadful day was a dramatic collapse in Consumer Confidence which immediately affected the already beleaguered container trades and of course cruising. The Bulk and Tanker markets followed. "9.11" was no more than a catalyst bringing forward the evil day.

A report on our activities recent and proposed follows this letter but I would summarise IMIF's immediate objectives as follows:

1. Doing further work on encouraging scrapping. The legitimate concerns of Greenpeace and other ecologists must be faced and dealt with. Recycling is an immediate necessity from point of view both of improving the supply situation and of safety / ecology.
2. Bringing about a balanced approach to the rumbling debate on Ship Safety. There are unseemly arguments developing involving Flag States, Classification Societies, IACS, owners, builders (poor inadequate scantling strength vessels), EU vs IMO, etc etc which need to be reconciled. "Transparency" is another live issue.
3. Encouraging a better understanding of just how great is the contribution of all the Maritime Industries Worldwide to our way of life.

I shall be lunching soon with the UK Shipping Minister, David Jamieson and will discuss these and other matters with him so far as they concern the UK.

We also have set up a special committee to address the possible problems of the Basel II Committee of the G10

Countries. This Capital adequacy demand could have a potentially profound effect on the availability of bank finance for fleet replacement / modernisation.

The working buffet lunches are continuing, listed elsewhere and the date of "The Dinner" is fixed as 6th November. We shall have to ask the Inn on the Park to knock a wall down.

Finally, our finances remain precarious in that the 2002 forecast indicates a loss. We have done our very best to cut back on all expenses and do not see what more can be done. The introduction, of say new full members would solve our financial problems at one stroke. Can each one of you please try to raise an additional member.... Then we would be in great shape and able to undertake more evangelising trips, particularly to the Far East, as we did in the past.

J G Davis - CBE

New Members

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BankGesellschaft Berlin A.G.	:	Mr. N. Hill
Bluewater Organisation	:	Mr. D. Singh
Brave Maritime Corp	:	Mr. N. Vifias
Credit Lyonnais	:	Mr. S. Roger
James Fisher & Sons	:	Mr. D. Cobb
Lazard & Co.	:	Mr. P. Stokes
Lloyd's Register of Shipping	:	Mr. D. Moorhouse
Marsoft Inc.	:	Dr. A. Sterling

Wednesday 19th September 2001 12.30 - 14.30

Venue	:	Ince & Co, Knollys House, 11 Byward Street, London EC3
Hosted	: ;	by Richard Sayer, Ince & Co

Speaker	:	Paul Gunton, Managing Editor, Fairplay
Subject	:	"Between the Covers".

It is one thing to read what a journalist has written - it is quite another to hear what he (or she) has to say. Paul Gunton came with some trepidation to the feast as a guest who was going to have to sing for his supper. He was anxious to emphasise that he was usually a writer and not a speaker. He needn't have worried - by the end of the luncheon all agreed that he was clearly perfectly competent as both.

First his credentials - degree in ship science; naval architect 2 years with Vickers; 7 years with Motorship, 8 with Lloyd's Ship Manager and then to Fairplay to set up its technical monthly magazine Solutions. He is now Managing Editor responsible for the weekly magazine Fairplay, its daily e-mail news service and Solutions. Thence to 'Fairplay'. Its formation holds a mystery. Thomas Hope Robinson, its founder in 1883 had lost a fortune in his 50's, borrowed £300 from a friend to launch Fairplay and was so successful that he repaid the loan within 6 months and went on to make another fortune. However, no-one knows how he made his first fortune or how he lost it or why he decided to found Fairplay but Hope Robinson explained his choice of name in his first issue, complaining that "There is so little fair play in the world". Hope Robinson continued as editor until 1912 - retiring when he was 83 and dying 3 years later. His obituary refers to him writing "with a pen of iron and a point of a diamond"

What pleases Paul Gunton now are the Fairplay cover stories, hence the title of this talk. They involve a lot of research and it can be a daunting task. Just how daunting was to emerge. He started with the Repsol cover story from a few years ago "Repsol rebuts kickback claims". Fairplay's Spanish correspondent had learned from an angry agent that Repsol was demanding kickbacks from the agency fee before they would include an agent on their recommended list. Perhaps this is not so unusual in the industry.

However on this occasion the correspondent appeared to have the terms of the kickback set out in a Repsol document. Paul decided to commission a cover story. "If I'd printed what he wrote Ince & Co's directors, (or whoever Repsol's lawyers are), would have been in champagne for life on the libel damages they would have got from us" said Paul. He rewrote it, included some comment from Repsol and e-mailed it back to him.

Unfortunately - or fortunately as it turned out - the correspondent showed Paul's version to someone who in turn passed it on to Repsol "who went up the wall and immediately made all sorts of threats if we published it". So instead Paul incorporated most of what Repsol had said into the article but turned the cover line around so the story became that Repsol was "rebutting" the allegations. Fairplay published it and heard no more. "I only mention this story from the past " said Paul "because last week we carried the following news item on our daily e-mail" -

Friday Sept 14 - A SPANISH court has found against oil major Repsol for operating an agency scam

under which owners calling at Spanish ports were forced to use a Repsol- appointed agent. These agents charged high fees that included a kick-back to the oil company. Repsol was fined Pta50M (\$270,000) and told to publish the decision in the mainstream press or face a Pta100,000 daily fine. The decision follows fines imposed on both Repsol and Cepsa for price fixing at petrol stations across Spain. One agent, Juan Correa of Correa Agencia Maritima, told Fairplay the Repsol scam had cost him a great deal of business and had taken four years to push to a decision.

The Casino ships cover story. a cover story from January 2000 was to provide the assembly with even more insight into the turbulent waters in which reporters can inadvertently find themselves. "The 80bn\$ gamble" was the headline referring to a scheme proposed by a Mr James Ryan to build 40 casino ships of 450,000gt each to be sited around the globe. The cover story included a photo of the managing director heading the venture, one Colleen Kelly. "A very attractive lady" said Paul "perhaps some of you might recall her photo." (this writer certainly did). Paul started to think about the astronomical figures involved. To him with the market prevailing they just didn't make sense. He decided to make enquiries and in due course established that amongst other things Mr Ryan was wanted by the FBI "for questioning". These findings Paul also published. The result was the most vitriolic e-mail from Princess Caroline Inc which opened with the phrase *"The sick Gunton still persists in twisting the Attorneys words & other facts."* There were denials of some of Paul's stated queries; there were claims that they had disclosed certain relationships *"after the fact"*, there was the comment *that not one newspaper, magazine or other publication printed any dirt - only Gunton who must be a sick mental case or are other motives involved. The FBI charges concerning CVDM were all false & 100% dismissed in court,* the e-mail continued, *Colleen & Jim were & are innocent of any of the FBI allegations.* There followed the new suggestion, that Paul might well be working for the FBI or CIA as they *supply, subsidize & often pay foreign publishers to print stories which U.S. publishers reject. **Gunton fits that pattern!*** There was to be an unexpected follow up for Paul. In July 2000 he received an e-mail from the FBI. They wanted to know how and where he had got his facts from and demanded that Paul appear before them in Washington to supply that information. Ironically it now seemed that Paul was the one "wanted for questioning" by the FBI. Paul replied politely reminding them that as far as he was aware the FBI had no legal jurisdiction over the United Kingdom and he declined their "invitation". He has heard nothing since.

"Who rules the waves?" Paul wrote this to stimulate some debate about what he saw as an important point raised by the Virgo and Tampa. The Virgo is a Cyprus-flagged tanker that had been accused of sinking a US trawler in international waters. Canadian officials accompanied by the famous red-coated Canadian Mounted Police boarded the ship, arrested the crew and are considering extraditing them to the US. Meanwhile Cyprus as flag state and Russia, the crew members' home country are crying foul. The Tampa as is well known rescued the Afghan refugees in international waters but was boarded by Australian troops when it entered Australian waters. Paul felt it was time someone aired the whole question of flag state sovereignty. To him it seemed that many flag states are happy to waive their sovereignty and as a result port states are taking matters into their own hands - perhaps without asking themselves whether they are infringing the ship's flag state's authority. An MCA manager told him, too late for publication, that the UK would respect

Article 97 of the Law of the Sea, and that, if Virgo had allegedly sunk a UK trawler in international waters they would have left it to Cyprus to carry out its forensic examination, offering support as requested. "Hmmm" said Paul "I wonder!" What Paul looks for in a cover story is that 'different' angle. Everyone knew what was happening with Tampa and Virgo - it was the sovereignty question that turned it into a cover good story.

So finally to **Ocean Glory** and its ISM certification. Fairplay had previously had a run-in with the Commandant of Greek Coastguard over an article at the end of 2000. The coastguard commandant complained that Fairplay hadn't contacted him for comment on that occasion, so Paul now contacted him again to ask how Ocean Glory had come to be issued with duff certificates. Given the previous fuss he had made the commandant could hardly ignore this request and put Paul's questions to the Greek Panama Consul - and got answers - which Paul doubts he would have been able to get himself - and a copy of the ship's SMC which was put on the cover of the magazine. One question remains unanswered and if you know the answer Paul would be pleased to hear it. The certificates were issued in Piraeus because the Greek inspectors had found that the ISM documents it previously held were invalid. No-one has discovered when, where or by whom its earlier set was issued. However it gave Fairplay the chance to explore a whole range of ISM concerns from the unilateral (or tri-lateral) declaration by ABS/LR and DNV only to issue ISM documentation for ships they class; onto the correlation between a ship's condition and its ISM administration. As for the future Paul wondered from an editor's point of view how the internet and the web would develop and its impact on both the publishers and their audience, the information users. As for Fairplay's founder, Thomas Hope Robinson, Paul was sure of one thing. Judging by the only picture they have of him puffing comfortably on his pipe he would not have approved of Fairplay's present offices - they are strictly "no-smoking"!

Points from the ensuing debate. JGD enquired about the fate of the lady who fronted the casino ship scam. It turned out that she was actually Mrs James Ryan. JGD commended Paul for the style of debate encouraged. There are so many issues that need serious consideration - Castor and ports of refuge/ Tampa and the law of the sea. PMcK referred to the Cockroft certificate - he had actually obtained it four years earlier before alerting the world to the ease of obtaining it, surely this was news management? RG wondered how often legal letters were received by Fairplay on behalf of clients - Paul advised that journalistic training does include 'legal training'. CS wondered if there was room for historical analysis, the cover story doesn't provide the complete answer - Paul agreed that it could be useful to publish updates of some cover stories. ON referred to the Internet - it affects us because information is so very quick to obtain but others can cut and paste, you see your own words being pirated - so it becomes a blessing and a curse. RG questioned the veracity of the information, "it can look like today's information when it may actually be 2 years old". JGD thanked Paul Gunton for an excellent presentation and thanked Richard Sayer and Ince and Co for the splendid hospitality.

Delegates that attended	
Richard Sayer	Ince & Co - Host
Paul Gunton	Fairplay,-Speaker
Jim Davis CBE	Chairman IMIF
Alan Brauner	Sinclair Roche & Temperley
Graham Edmiston	London P&I Club
Richard Greiner	Moore Stephens
Helen Gurr	Liberia Intl. Ship & Corp. Registry LISCR
Jeremy Hodgson	Deutsche Schiffsbank
Bridget Hogan	Shipping Consultant
Rob Lomas	Intercargo
Nik Lykiardopolis	N S Lemos
Junichi Matsamura	Director General - Japan Ship Centre
Paddy McKnight	The Japanese Shipowners' Association
Otto Norland	Northern Navigation International Ltd
Paula Puszet	Drewry Shipping Consultants Ltd
John Rollason	Holman Fenwick & Willan
Monish Sahni	Citibank
Chris Spencer	C F Spencer & Co Ltd
John Faraclas	Shipping International Monthly Review
James Wilson	Ince & Co
Philippa Wright	Foresight Group
Ian Bouskill	Secretary, IMIF
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Wednesday 10th October 2001 11.30 am

Venue	:	Norton Rose, Kempson House, Camomile Street, London EC3
Hosted	: ;	by Gordon Hall, Norton Rose

Speaker	:	Dr Arlie Sterling, Marsoft Inc, USA
Subject	:	Basle II - the implications

This meeting was convened as an outcome of discussions first held by Dr Arlie Sterling, President of Marsoft Inc, a shipping consultancy company which works closely with many leading shipping finance institutions, with two bankers both heading prominent ship finance departments. He was concerned about the possible effect of international banking guidelines proposed by the Bank for International Settlements on the shipping industry. Both bankers suggested that the IMIF Shipping Bankers' Forum might well be the best medium through which a representation to the BIS on behalf of the shipping industry could be made. Resulting from that Forum an IMIF Basle II sub-committee was convened to monitor developments. A summary of events by Ed Harris, chairman of the sub-committee follows.

BASLE COMMITTEE NEGOTIATIONS

On October 10th 2001, a presentation was given to the IMIF banking group by Dr. Arlie Sterling of Marsoft about the proposed new regulations from the Basle Committee of the G10 countries. Presently banks throughout the world operate under the 1985 Basle Agreement (Basle 1) which, with few exceptions, calls for an 8% capital allocation for commercial loans. The Basle Committee is now proposing a system for the individual rating of loans and the application of varying levels of capital against individual loans dependent on that rating (Basle 2). Basically, if higher capital allocations are demanded, then that will increase the cost of loans.

The Basle Committee has chosen to base its proposed rating system on the presently existing ratings of public debt issued by agencies such as Standard and Poors. Dr. Sterling highlighted the fact that shipping companies generally do not achieve high ratings under these systems, and that even most of the best quality shipping companies do not realise investment grades. This raises the prospect that the Basle 2 regulations might in general raise the capital allocation and therefore the cost of shipping loans.

Dr. Sterling also raised the question of the value given to ship mortgage collateral under the Basle 2 proposals. It seems likely that, at least in some situations, ship mortgages would not be given any value in the rating of loans. This was an alarming prospect, amongst others, raised by Dr. Sterling.

Subsequent to this meeting, the banking group decided to form a committee under the leadership of Ed Harris of LB Kiel, to evaluate the Basle 2 proposals and make representations to the Basle Committee. This committee had its first meeting in December and is now preparing a submission to the Basle Committee. The committee has adopted as its mission statement "To obtain the most favourable possible treatment under Basle 2 for shipping loans".

The Basle Committee has been notified that IMIF is concerned about the effect of its proposals on

the shipping industry. In addition, Belinda Adye of Marsoft, who is the secretary of our committee, has been able to take the opportunity of a visit to Basle to meet with Bank for International Settlements (BIS), who administer the Basle regulations, and received an apparently sympathetic hearing.

On further examination of the Basle 2 proposals, the committee has come to the initial conclusion that, with clarification and some amendments, they should provide a workable basis for a generally acceptable rating system for shipping loans. We are therefore hopeful that much of the initial alarm will be unwarranted. Additionally, the Basle 2 proposals have attracted substantial criticism from many quarters mainly because of their complexity, and from some of the G10 member countries, who object to some of their fundamentals. The final shape of the proposals therefore is still open to much potential change. In the meantime our committee intends to do its best to represent the interests of the shipping industry.

The following have kindly agreed to assist the sub-committee:-

Ed Harris - chairing -	Landesbank Schleswig Holstein
Monish Sahni/Nigel Barton	Citibank NA
Lambros Varnavides/ Bob Manners	The Royal Bank of Scotland
Rob Heijliger	ING Bank NV
Peter Stokes	Lazard Capital Markets
Arlie Sterling/Belinda Adye	Marsoft Inc
Peter Illingworth	DVB Nedship Bank
Stanislas Roger	Credit Lyonnais, Paris
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Delegates that attended

Jim Davis	Chairman, IMIF
Belinda Adye	Marsoft Inc
Jeremy Baer	Lloyd's TSB
Hugh Baker	ING Bank NV
Nigel Barton	Citibank NA

Alan Brauner	formerly Director of Shipping Midland Bank
Vincent D'Orgeval	Aifin, Paris
Ian Davis	Clarksons Ltd
Jørn Fredriksen	Marsoft Inc, Norway
Richard Greiner	Moore Stephens
Rex Harrington	Shipping Consultant, The Royal Bank of Scotland
Ed Harris	Landesbank Schleswig Holstein
Peter Illingworth	DVB Nedship Bank
Bo Jagd	Danmarks Skibskreditfond, Copenhagen
Stefan Kuch	Commerzbank, Hamburg
Erik Lassen	Danmarks Skibskreditfond, Copenhagen
Bob Manners	The Royal Bank of Scotland
Keith R McRae	DVB Nedship Bank
Jim Myles	Bank of Scotland, Edinburgh
Otto Norland	for Deutsche Schiffsbank
Monish Sahni	Citibank NA
Dr Arlie Sterling	Marsoft Inc, USA
Peter Stokes	Lazard Capital Markets
Peter Stowell	KBC Shipping Finance, Dublin
Lambros Varnavides	The Royal Bank of Scotland
Anders Vatland	Norwegian Shipowners' Association, Oslo
Thomas von Lupke	WestLB
Ian Bouskill	Secretary, IMIF
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IMIF thanks Gordon Hall and Norton Rose for their generosity in hosting this meeting and for providing a buffet luncheon afterwards for the delegates.

Monday 15th October 2001 12.30 - 14.30

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Venue	:	Citibank NA, 33 Canada Square, Canary Wharf, London E14
Hosted	: ;	by Nigel Palmer, Citibank NA
Speaker	:	Prof. Niko Wijnolst of the Dutch Maritime Network
Subject	:	"Strengthening the Maritime Cluster: Let's rock the boat!"

It was perhaps appropriate that Professor Niko Wijnolst, well-known exponent of the Dutch Maritime cluster and indisputably one of the maritime industry's tallest academics should be making a presentation to IMIF delegates in Citibank's building, part of the London Dockland Canary Wharf cluster and itself one of the UK's tallest buildings. Professor Wijnolst had come to present some EU maritime statistics - to look at what they revealed - and to issue some challenges. Taking as his source material the "EU Maritime Industries - Studies on industrial aspects - Economic Impact of Maritime Industries in Europe" unpublished at that time Professor Wijnolst opened the proceedings by asserting that there were lots of reasons to "rock the boat". "Did you know" he said, "that the UK's contribution to maritime earnings, value added, is still the largest in Europe and did you know", he added, "that in the supply of marine equipment the UK is actually number 1 in the world!"

The UK's reluctance to enter Europe puzzled him. "The UK is large, Holland is small - you need confidence". There followed a series of slides giving statistics, segmentation diagrams and graphs covering world market values, with regional segmentation proportionally divided over the USA, (25%)Asia (34%) and Europe (26%). "Of course there are maritime problem areas", he continued. "The industry is fragmented; it has produced a roller coaster performance; it is not perceived as a growth industry; it is the domain of specialists; there is severe international competition, there is the complication of subsidy wars - and there is the negative news cover - I read Lloyd's List recently referring to the "unrelenting decline of a once mighty industry". And yet 70% of all ships are fitted in part with marine equipment from the UK (excluding hull).

Steps are being taken to counteract the negative aspects including the tonnage tax - originally set up by the Dutch - and now being followed in the UK. In Holland two recommendations were considered -

1. A new policy to increase the Dutch flag tonnage and
2. the need to reinforce 'the network'.

The new policy commenced on 1.1.1996. With regard to the European network eleven sectors have been identified and defined, namely Inland shipping, Shipping, Ports, Maritime services, Building, Marine equipment, Yachts, Fishing, Dredging, Offshore, and the Royal Navy." Professor Wijnolst emphasised how important "value added" was to the Dutch cluster per sector. He pointed out that the backflow of benefit financially to the Dutch government from the maritime cluster including "value added" totalled 9bn guilders.

There had been four policy fora

- The Maritime Communication Forum of 1997 to address the negative image;
- The Maritime Export Forum of 2000;
- The Maritime Innovation Forum of 2001 (these two are linked, said the Professor, without innovation there can be no export);and
- The Maritime Labour Market Forum planned for 2002.

It is essential that we turn the tide in Europe, he added. A structured maritime cluster does not exist. There is an aeronautical one but the maritime one is not a statistical entity and therefore importantly it does not exist for policy makers. The European maritime trade organisations do not operate as a cluster. In terms of direct value added, the professor continued, the UK seems to have the largest maritime "cluster", (turnover EUR23,724mill - 15%), followed by Norway (EUR21,444mill, 13%) and Germany (EUR20905mill - 13%) Using the latest (1997) EU figures he demonstrated that Europe's maritime industries actually generated EUR1.59bn, employing directly 1,545,000 people with indirect employment increasing the figure to 2,392,000 people. Other graphs revealed shipping as the largest sector of employment within the cluster as opposed to shipbuilding (5% of total) and the fact that shipping in Europe controlled one third of the world fleet. The figures showed Europe was good at niche work.

He warned that Korea and China will crush Europe if nothing is done. We need to fight for our future, we mustn't let it go because it is no longer regarded as important. Graphs were produced for other areas of importance to the European maritime cluster - Offshore, Inland Navigation (in Holland more than 20% of containers are carried by barge) yachting (in world terms the order is United States followed by Italy, the Netherlands and Germany) and Marine Equipment (of which Europe has 27% of the world market). And so to the conclusions - the European maritime cluster actually is an entity although it doesn't seem to realise it and it is important and many sectors of it have a strong world market position. Growth prospects are positive and while the maritime industries are very fragmented with little co-operation the business opportunities are there. You must ask yourselves - what can you do in the UK to change your perception from a maritime sector to a holistic maritime cluster view. Synergy does exist within the cluster if you take the following concrete steps. Help make the cluster transparent; co-operate at both national and international levels and demand from your particular trade organisation EU co-operation. "Let's rock the boat!"

JGD asked for comments.

ON - That's the best pro-Europe speech I've heard yet. Can you tell me the dates of the next Forum?

NW. Valencia 29th/30thOctober 2001.

JGD I've not seen the statistics analysed like this before.

NW - they can still be misleading. Take fishing. Many Belgian, German and UK fleets are actually Dutch owned but this doesn't show up in the Dutch figures - we need to change the method of measurement. In 1988 tonnage was fleeing from the Dutch flag - but we have 400 years of history so

it was worth fighting for. I should add that another benefit is that 70% of "value added" is created on land, not water. We fought back - it worked - so now we have Government assistance - and now we are investigating what it is that works and how to promote it. The UK should be lobbying in Europe likewise.

JGD Another thing that strikes home - in the UK banking, insurance and the law are considered to be the high profile components but you say...

NW These are peanuts compared to the marine equipment sector - you have the wrong perception of yourselves.

MB - It's easier for the Netherlands - it's a compact activity centred on Rotterdam, the UK has a diverse economy - although the components are strong each is one of many.

NW In the Netherlands shipping is invisible so we have started school programmes to expose shipping including a port simulation project.

JGD to MB - you are of course developing the Sea Blindness project - we need to show the people in the street what's happening - but they're selfish - they need to realise that nearly all shop goods are seaborne.

PG - What is the motive for the maritime cluster?

NW - It is the responsibility of the maritime cluster to get business. We need qualified people to educate the public. The opportunities are there - the markets are there. If you don't take responsibility for yourself then that's too bad.

ON - Shipbuilding is sliding back - it has a very negative approach but we should point out what else we are doing - and shout about it.

JGD thanked Professor Wijno1st and Nigel Barton of Citibank for such a thoroughly successful luncheon meeting. "I hope we shall all go away and do something about it".

Delegates that attended	
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Jim Davis	Chairman, IMIF
Nigel Barton	Citibank host
Niko Wijno1st (Prof)	Dutch Maritime Network speaker
Orlando Allard	Panamanian Perm. Rep. to the IMO

Simon Booth	Citibank
Alan Brauner	Sinclair Roche & Temperley
Mark Brownrigg	Chamber of Shipping
James Buckle	Citibank
Nik Charalambous	Cyprus High Commission, Maritime
David Cross	Fairwind Shipping
John Dempster	UK Major Ports Group
Jan William Denstad	DVB Nedship Bank
Mike Dance	Jackson Parton
Norman Douglas	Le Lloyd Anversois
John Faraclas	Shipping International Monthly Review
Richard Greiner	Moore Stephens
Paul Gunton	Fairplay
Junichi Matsumura	Japan Ship Centre JETRO
Otto Norland	Northern Navigation International
Stelios Panagiotou	DVB Nedship Bank
Struan Robertson	Sinclair Roche & Temperley
David Rule	Lloyd's Register of Shipping
Ian Bouskill	Secretary, IMIF

12th November 2001 12.30 / 14.30 hrs

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Venue	:	Restaurant "No. 1 Blossom Street", London E1
Hosted	: ;	by Ravi Mehrotra, Chairman, Foresight Group
Speaker	:	David Moorhouse, Chairman of Lloyd's Register

David Moorhouse did not actually pre-advise IMIF as to the title or subject matter of his presentation. All his secretary could say was that he "was working very hard on something". Those delegates who

'phoned beforehand to enquire all made similar comments when told that we would have to wait and see. "Well" they said "it's bound to be something to do with class". Instead we were privileged to receive from David Moorhouse "A PERSONAL VIEW OF THE FUTURE" .David began by thanking IMIF for the opportunity to speak, Ravi and Foresight for hosting the luncheon, and Jim and his team for the excellent work they do for the industry. He continued - "Having said that, Jim, I would go on to say that in my view there exist today too many representative bodies to serve the needs of this Industry effectively. At a time when the Industry has been and in my view remains under considerable pressure, we should be making those representative bodies work more effectively - not creating new ones. How ever well intentioned they will only make us weaker. Heaven knows that events of the recent past have shown up yawning gaps in our ability to demonstrate and communicate how effective we really are as an industry. From a classification standpoint you will have seen our absolute stand behind IACS.

We will work 100% with IACS and despite much advice to the contrary, resist the temptation to abandon the original in favour of a super IACS. We are, I would suggest, an industry who on too many occasions finds it easier to be negative than positive. We seem reluctant to defend the very positive contribution this industry has continued to make and this without Government intervention and for the majority of time with very little support. Though I hope this is changing. We must all talk positively about the safety record of shipping and about the responsible Owners, Operators and Charterers, their achievements and their contribution to maritime safety. We must set the unacceptable occurrences in the context of the overall performance of the marine sector as NOT being the norm. More importantly we must be ready to speak with one voice with an industry response and solution that demonstrates our own ability and resolve to stand up and be counted when something as clearly unacceptable as the Erica occurs. If we don't, then we can be sure that we will get the muddle we deserve, - the industry fragments, everyone runs to their own corner and puts on their Teflon overcoats. Can anybody tell me what the answer, double hulls, has to do with the question of how we prevent another Erica? The problem with the Erica is one of a rotten ship; the number of hulls is immaterial. You know, I sometimes feel as though I am in two conversations and that the answers have been mixed in some bureaucratic muddle and that everyone is reluctant to point out the error for fear of being singled out. In the case of the introduction of double hulls I believe time will show it has little if any effect on the number of serious incidents of spillage prevented, though I do believe that double bottoms positively influence the amount of spillage from grounding. As for the Erica question, the answer at the macro level must surely be that we need an Industry environment that is intolerant of sub-standard ships, Owners, Operators and Charterers and Classification Societies. We have a duty to be less tolerant. What then might be the response to twenty EU DP7 members chained together on the seabed? Did I hear "a start", " a waste of a good length of chain" or perhaps the one that I prefer "an unacceptable level of marine pollution". Let me suggest, that if we do not change our way we will allow this industry, through our own inaction to be polluted by rules created for political expedience rather than those which address the individual problems. I am sure it will not surprise you to learn that in the last six months I have been contacted by three well-intentioned groups seeking Lloyd's Register support of new initiatives which require the formation of yet more bodies. You will not be surprised to know that we have declined. I would

strongly recommend, when any of us are approached with some new initiative, that we first examine the Industry groups we have, before launching yet another body. As I said at the outset, I firmly believe that with every new body we create the industry gets weaker. Let me leave this aspect of today with a fact that I would ask you to repeat as many times as possible. **Shipping is safer than flying and we have the industry statistics to prove it.** Since 1988 we have been analysing this in 3 year periods. Both aviation and shipping has improved and shipping has kept ahead of aviation in all these periods. (the data to support this is available from Lloyd's Register)

Flying obviously brings to mind those appalling events of September the eleventh and what has happened to the economy, both globally and locally. The world's largest trading economy, the USA, is now predicting recession will deepen through the first quarter 2002. While some will point directly to the events of September 11, the reality must surely be more that these tragic events gave an impetus to a process that was already underway. What may also be true is that the longevity of that depression will be dependent on the outcome of the prosecution of the war that we are now waging on global terrorism. The duration of the conflict, its potential proliferation and the ability to hold together the Coalition (which already shows signs of weakening) are all influencing factors. We see in Japan the very strong likelihood of further troubles with the economy, which this time may be of sufficient depth to drive the fundamental change required to revitalise it for the long term. Closer to home the European economies are not looking too good either. In Germany and France there is zero growth. In the UK the rate of growth is falling and despite the political spin proclaiming our ability to ride out the storm. The underlying truth must surely be that while we will be able to cushion our decline with the healthy balance of payments position, we will decline. Our economy today is largely export services led and greatly influenced by tourism, both of which have and will continue to be influenced significantly by the recession in our principal exports markets of the USA, France and Germany. China remains the only economy of significance that will continue to expand; though even here the current projection of 7% may revise down to 5%. So there would appear to me to be a global recession in progress and its low point may or may not occur in 2002 and whose longevity will be significantly influenced by the longevity and outcome of the fight against terrorism. These in turn being influenced greatly by the ability to find an acceptable answer to the question of Palestine and a more acceptable and independent/democratic control of Saudi Arabia. The resulting short-term effects on our industry and indeed many others have already begun to be felt.

In November I visited all the USA based Cruise Operators. In one, they had spent £26.0 Million looking after stranded passengers immediately following the events of 11th September. There was the subsequent loss of the American companies American Classic and Renaissance. It might be said that this would have happened anyway, perhaps not for 5/6 months but it would have happened. Will there be more? I think there could be. While low cost packages dominate the US market then those who own their ships will fare better than those who will face heavy repayments. However, both will be faced with the very difficult task of convincing the American public that it is safe to cruise. Which incidentally I believe it is. However, for the Cruise Operator security is a double-edged sword. If it is too overt it may serve to create fear and if it is covert you may worry it is not being addressed. On the aircraft taking us from Miami to Orlando there were just five

passengers. Three of whom were travelling with me. When we arrived in Orlando the airport was deserted. A stark measure of the short-term impact of the disaster. While there we learned that the Disney Theme Park takings were down 60% though their cruise ships were still doing well. I will not go into great detail on the current nosedive in freight rates or its impact on the size and number of new box ships required except to say, flexibility of the ships to operate to differing markets is now a greater consideration than before. Continuing downward pressure on the tanker market rates look set to keep results from that sector depressed for the near future. Where are the bright spots? LNG There is in the world today a significantly greater quantity of natural gas than oil and it exists in geographically more friendly locations. Lloyd's Register is currently contracted for 23 new LNG carriers, a number that continues to rise. Replacement of the single with double-hulled tankers also presents opportunity. However against the recent past the outlook is far from good. In the past I have always felt confident that though the cyclical market would continue to have its peaks and troughs, that overall we would experience continued growth. This was based on the demographic forecast of a world population growth from today's 6.1 billion to circa 9.0 billion by 2050. More recently published statistics while supporting broad numbers suggest a somewhat worrying distribution. Some 75% of the additional 3.0 billion people will be born into undeveloped countries, the vast majority of which are today aid dependent. While it is true to say that many things will occur between now and 2050 to influence these numbers, if only partially true the identified trend is extremely worrying. It may just be the environment that ferments the kind of extreme activity we see today. What I have tried to say today is that the world will continue to be a very difficult place in which to maintain a stable environment. There will of course be opportunity and there will be threats but whatever the environment it will demand an effective, flexible, well run and safe marine industry.

Q & A

JGD - With all of them fighting their own corner perhaps IMIF should be the one to pull them all together. What do you think about all of it, Martin?

MS - Well, the last good year was 1900. It is a tough job to assess the issues, a lot has bubbled over all at once. We need to be positive but also realistic. Congress came up with the double-hull but its implementation is a market decision.

DM We need to react to perceptions. There have been worse incidents than Erica - without report. In France there was an ineffectual Prime Minister and France doesn't have a shipping industry so here was an opportunity to say "foul - I shall defend the world against pollution". France was chairing the EU so now there are lots of DP7 rules - to investigate, regulate and control. It needed a body to stand up to the lie.

MS. What would you have said re Erica?

DM We would have given all the information and told them what we were doing and that we are a responsible industry.

RM. The EU was irritated because it took three months to find the owner.

JR - So much for their ability. We could have found it within 24 hours! It's true, the shipping industry is fragmented but there are a huge number of owners whereas the aircraft industry is tiny with no spread. We have taken over a deficient ship and found that it had been inspected by three bodies, class, P&I and an oil major. Why can't we get it right first time?

DM So we should have less bodies, less inspections and to have confidence in what we should be doing well.

JR I'm an optimist, I don't think the troubles will drag out the recession - people will get on with their lives.

DM. But what of the coalition? If Afghanistan is sorted will the coalition go against Iraq and in three years time shall we still be talking about terrorism? An additional 3bn people, 2.5bn of them aid supported - they are the hotbed for revolution. Unless we, as the developed world, sort it out before it arrives then there will be a problem. If we can't sort the Erica how can we sort the world?

ON In 1975 IMIF was the only body to bring all the affected bodies together. Should IMIF be its champion now? Industry has to decide who is to be its champion - 85% are for a strong voice in the world.

RM You can't undo the existing bodies. Public relations has to address problems in the industry, - with the backing of the industry. Intertanko and others continue to look after their problems (but shipping is 7000 years old and aviation only 50) and beyond them there are issues that are 'industry' issues. We step back because we have the confidence that the ground we step back on is firm and that we have the confidence to address them.

JGD thanked Ravi for his hospitality "at a venue that is a first for IMIF" and thanked David Moorhouse for an excellent presentation and awarded him full marks for the question and answer debate that followed.

Delegates that attended	
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Jim Davis	Chairman, IMIF
Ravi Mehrotra	Foresight Group
David Moorhouse	Lloyd's Register of Shipping

Nigel Barton	Citibank
Alan Boothby	Bank of Scotland
Robin Bradley	IACS
Alan Brauner	Sinclair Roche & Temperley
Peter Cowling	Wallem Ltd
Mike Dance	Jackson Parton
John Faraclas	Shipping International Monthly Review
Richard Greiner	Moore Stephens
Paul Holman	Chamber of Shipping
Roger Holt	Intercargo
John Kontogiannis	Greek Shipping Co-operation Committee
Junichi Matsumura	Japan Ship Centre JETRO
Otto Norland	Northern Navigation International
Paula Puszet	Drewry Shipping Consultants
Jean Richards	Fairwind Shipping Limited
Struan Robertson	Sinclair Roche & Temperley
Richard Sayer	Ince & Co
Martin Stopford	H Clarkson Research Studies
George Tsavlis	Tsavlis Shipping Ltd
Gatakala Venkat	Foresight Group
Robert Wester	DVB Nedship Bank
Philippa Wright	Foresight Group
Ian Bouskill	Secretary, IMIF