

March 2004

How different the Maritime Scene looks today from when I wrote last year. I was then, with the Iraqi war looming, extremely cautious about making predictions of 2003 although I did feel that the Market would improve substantially during the year. I surely underestimated the incredible improvement that did take place. Now all areas of the Shipping Industries enjoying (insurance underwriters excepted?) record earnings and prosperity. Our old friend and economic guru De Martin Stopford of Clarksons has even identified 10 records, which were established in 2003 ranging from the Bulk Trades with earnings exceeding \$20 billion, to significantly, Shipbuilding output which in the year exceeded 22.5 million cgt. China justifiably receives the accolade for imports, among which was iron ore rising to a monthly figure of 10 million tonnes. No wonder Bulker owners were smiling as rates swept to beyond \$100,000 a day!

China deserved further acclaim for its vast exports of consumer goods which more than any other revitalized the troubled containership industry. China also paid unprecedented rates per lwt for ships for scrap.

All this could lead to a dangerously high sense of optimism and contentment. But just how fragile is this delightful boom? In his recently published Report on 2003 my friend Michael Grey referred to me as the Cassandra of the Industry. In one sense he is so right in that I, in company with others, forecast that this boom will not last forever. The trouble is to identify how long it will last. I believe 2004 will be another excellent year but that over 2005 hovers a huge question mark. The boom is based on continued super consumerism particularly in the US (on borrowed money too!) while new tonnage to meet this conspicuous demand is being poured out from the yards.

Forecasting is made ever more tricky by the unknowns, e.g. Terrorism. Will the imposition of ISPS from 1st July 2004 with 'zero tolerance' by particularly the US Coastguard produce a stutter in trade? What will be the extent of further Regulation by IMO and, much more unpredictable, the EU? Will such regulations bring forward obsolescence of many ships? Will such enforced early obsolescence make it easier to absorb the unprecedented introduction of newbuildings? Will there be more and more and bigger claims against shipowners for alleged 'wrong doing' such as pollution? Will the Scrapping/Recycling industries be able to meet new 'Green' requirements?

It is quite a conundrum but it surely indicates a certain caution.

My forecast for 2004 for what it is worth is that World Economic Growth will continue to sustain the Shipping markets for the whole of 2004 and early 2005, after which there will be a manifestation once again of overtonnaging and a substantial drop in rates in all sectors with the exception of Gas Carriers. Thus caution is indicated for the present.

'The worst decisions are made at times of highest prosperity' I have frequently voiced. So our 2004 resolution should be a determination to avoid making them.

REPORTS

IMIF new members

	
Mr. Shinichi Miwa		Fairdeal International Ltd
Captain Cecil R. Smylie		International Salvage Union
Mr. David Randell		Numast
Mr Brian Orrell		

Monday 8th September 2004

	
Venue	:	Citigroup Centre, Canada Square, London E14
Hosted	:	Citigroup / Nigel Barton
Speakers	:	Terry Macalister / TradeWinds
Subject	:	Why the shipping industry always gets sunk by the media.

"If only he had contacted a journalist first and given his side of the story it could have affected totally the way the story was presented" - Terry Macalister on the public outcry over the Able UK MARAD contract for the US "ghost" ships.

Terry Macalister is a hard hitting journalist who is not afraid to say what he feels. Indeed he has been known to take the occasional pot at our prestigious Chairman. Nevertheless he is respected for his opinions and he knows both the maritime world and that of the media so who better to consult on the shipping industry's uncertain image and what to do about it. In the past the shipping industry considered itself above criticism. Jim Davis recalled an instance in the '60 when a journalist suggested that P&O needed image improvement - and their response - that he should consider himself lucky to be traveling P&O at all! Times have changed. Now there is a lot of criticism of shipping - especially with regard to safety and pollution -although some of it is misinformed and / or unfair. There is clearly room for improvement in the way the industry is presented.

Terry began his analysis of the shipping industry and the media by looking first at the media. "Journalism, like shipping, is a very competitive industry and it will appear wherever there is

commerce to handle. Unlike shipping it is VERY ~parent. Circulation figures are openly published and editors are hired or fired on the basis of those figures. The barriers for entry are relatively low and now, with the advent of the Internet the barriers are even lower - every college has its own website. Journalists are easy to find - and every day there is a need to produce an attractive 'end-product'. Part of the problem is that there is an endless supply of information available on the Internet - and not all of it is reliable. It needs someone to analyse, condense and produce it in a structured way - and that's where TradeWinds comes in.

I helped set up TradeWinds but now also work as industrial columnist for the Guardian. Some people have asked why the obsessive interest in 'bad' news and why not in the 'good' news? The reality is that you are much more likely to talk about your noisy neighbours than the fact that your roses are doing well. It just is part of the human condition to follow the dynamics of the day, Al Qaeda or whatever - it's not really an obsessive interest in 'bad' news only. As a journalist I apply the same critique to shipping as I do to any other industry and I take no pleasure in the way the industry leaves itself open to criticism.

There has always been fear of media reporting in the shipping industry and when something nasty happens the thinking is that it is better to batten down the hatches - but this just leaves things open to unbalanced reporting. Look at 'Erika'. No one owned up to anything at first so to the public the whole thing just looked awful.

It's true there are all sorts of unique things about shipping - it is a disparate industry with lots of small owners. Even the biggest of the container lines, Maersk, is still very small when set within the whole container industry - they account for about 18% of all container business.

So how do you, the maritime industry, go about obtaining good media coverage. You must make a point of getting in touch with journalists. You should approach them. They can ensure that your side of the story is told. One of my colleagues, another Guardian columnist, has recently become involved with the redundant US vessels, the 'ghost' ships that are going to be broken up in the UK, the ones that all the tabloid papers are currently saying are full of toxic waste. They spoke to the importer, Able UK - nine hours after the story had come out. If only Able had contacted a journalist first and given their side of the story, from the actual state of the vessels through to the negotiations with the DTI it could have effected totally the way the story was written. There needn't have been this adverse reaction.

If a journalist establishes a good rapport with the shipping company's representative he can sense that person's sincerity about the way he feels about things and this will affect how the story is written. You may have a PR department to deal with things but whether you are a large or a small organisation there is a vested interest in your taking the media seriously. Look at Branson - or Stelios they are highly successful entrepreneurs with enormous business interests but they are able to project themselves as human beings. When I was working at the Evening Standard the paper had a deadline - which was 8 o'clock in the morning. If I 'phoned one of them early in the morning to

confirm a story the chances are that he'd say "I'm still in bed but can I 'phone you back in a quarter of an hour?" I say again, if you who need to talk to the media.

By the way, the worst thing you can do is to give the job to a junior. The journalist needs to talk to someone who knows everything that's going on. Journalists write two or three different stories a day - and they need all the information you can give them to ensure a proper analysis. You should leave the job to senior knowledgeable people who

like talking to media, like Martin Stopford. It needs that vital element of dialogue. Remember, journalists themselves develop a modicum of expertise - they can actually tell you things that are going on - and so, when things do go wrong you can speak to a journalist who has some knowledge and sympathy with your situation.

Of course the journalist needs to know exactly what is usable or attributable and what is "off the record". And sometimes an outside opinion can lead to totally unexpected good consequences. I remember when Wayne Hemingway, the multi-millionaire boss of 'Dead or Red' turned up to eat at the Institute of Directors Club, Pall Mall and, because he was dressed in casual wear, the Institute wouldn't let him in. So he enquired as to what was 'acceptable' wear and was told a pinstripe suit, dark hose and black leather shoes. So he got in touch with Channel Four to advise them of a story coming up and in the meantime he went to Marks and Spencers to kit himself up in the recommended wear. And then he went back to the Institute to request admittance again.

The only thing is that now he was wearing the female equivalent of 'acceptable' wear, pinstripe jacket and skirt, dark stockings and black high-heel shoes. I suspect that normally he would have been turned away again - only the TV cameras were there so the Institute let him in. That could have been the end of the incident. Instead, the following week Hemingway received an invitation from the Institute asking if he would mind coming to lunch as their guest. Over lunch he was told that the Institute was very concerned that it was not attracting enough successful young members like himself and that perhaps he might have some thoughts on the matter. The outcome was a contract for a thriving Junior Members Club next door beautifully designed and today packed, with fashionable successful 'younger' members. The Institute of Directors was willing to consider someone else's different viewpoint and to benefit from it.

I tell this story particularly in the context of today's IMIF luncheon because when I have disagreed with something Jim has said I have gone into print to say so. But despite that today Jim has afforded me this opportunity to talk to you about the relationship between shipping and the media.

Can I leave you with these few last thoughts. There is no vested interest for local politicians to take up the cause of shipping. The oil industry, by way of contrast, is very powerful - but it has a poor public image. So it promotes a scenario about which is the 'greenest' oil company and that company's corporate / social responsibility is emphasised and it is lauded for its environmental projects

and so appears to be a very 'green' company indeed - much greener than it actually is. Shipping doesn't have that problem. It actually does do a good job and it produces very cheap transport. Outsourcing can only happen because shipping produces efficient, cheap transport. Also it has glamour - but it does need its bosses to talk very much more openly on both the good times and the bad."

IMIF would like to thank our generous host Nigel Barton of Citigroup with a special thank you both for the wonderful meal and the wonderful view and equal thanks to our knowledgeable speaker Terry Macalister of TradeWinds for his insights and of course our thanks to all the delegates who were able to attend.

<i>Delegates that attended:</i>	
.....	
Jim Davis CBE	Chairman, IMIF
Nigel Barton	Host, Citigroup
Terry Macalister	Speaker, TradeWinds
Graham Barnes	BankServe Insurance Services Ltd
Alan Brauner	Stephenson Harwood
Andrew Craig-Bennett	Consultant and Journalist
Maria Dixon	Consultant Head of Shipping, Panamanian Consulate
Ed Harris	ELH
Paul Hinton	London P & I Club
Richard Leslie	IACS
Mariel Monk	Merricks
Boris A Nacharmkin	Seatruster Shipping
Struan Robertson	Stephenson Harwood
David Southwood	Heath Lambert
Martin Stopford	Clarksons Research Studies Ltd
Kei Tanaka	Japan Ship Centre (JETRO)
James West	MAN Ltd, MAN B&W Diesel
Philippa Wright	Foresight Group

Thursday 11th September 2003

IMIF hosted a luncheon at the Churchill Room, The Baltic Exchange, 38 St Mary Axe, London, EC3 at the request of China National Shipscraping Association, Beijing to enable a delegation to meet with senior Shipbrokers to discuss proposals for environment-friendly ship recycling in China.

The Chairman of CNSA, Mr Yan He-ming thanked IMIF for hosting this luncheon and opened the proceedings by explaining the general development of environmentally friendly shipbreaking in China. This is being brought about with the co-operation of P&O Nedlloyd who are promoting the concept of preparing a ship for recycling before delivery to the breaking yard, including precleaning tanks, carrying out a radiation survey, listing known toxic components including asbestos and removing all that can be safely removed at that moment. Once at the yard, insulation, electric cable, refrigerant and other hazardous materials are removed and demolition then commences.

On completion a certificate is issued confirming that the vessel no longer exists. Mr Li Hongwei, Manager of Jiangyin Shipbreaking Yard then described the layout and structure of the yards with more detailed breaking information including the type and capacity of vessels recycled. Both Yan He-ming and Li Hongwei put great emphasis on the desirability of 'green' shipbreaking operations.

Through the medium of Michael Waldman (who is a totally fluent Chinese speaker) both Alan Marsh and Gary Weston were able to question and discuss in considerable detail the methodology and attitude of the Chinese breakers towards the international demolition market.

Alan Marsh said he appreciated all that the Chinese were trying to do but that he felt he should emphasise on behalf of the owners he represented that in the end the decision where to sell would at present still be dependant for most of them on market demolition rates rather than green issues. Gary Weston concurred with this.

There was keen discussion between the two leading brokers and the Chinese delegates on the possible level demolition rates might still achieve. Alan Marsh was sufficiently sure of his own prediction as to place a friendly wager on it with the Chairman of CNSA. Alan Marsh's forecast was for a level that the Chinese delegates truly doubted would be reached. (Alan Marsh has since been in touch with Jim Davis to advise him that he has since won the wager. As to when he will collect it ... that is future news ...)

CNSA Chairman Mr Yan He-ming thanked Mr Davis for organising the luncheon. He looked forward to developing further contacts with Braemar, Clarkson's and Barry Rogliani Salles and emphasised how much he would welcome seeing them and all the other delegates in China.

IMIF would like to thank Alan Marsh, Gary Weston and Andrew Craig-Bennett for sparing their valuable time to participate in this luncheon and to offer a very special thank you to Michael Waldman for travelling over from Paris to act as such a competent interpreter/ negotiator for the occasion.

Delegates that attended:

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Jim Davis CBE	Chairman, IMIF
Mr Yan He-ming	Chairman, China National Shipscraping Association
Mrs Pan-Xia	Deputy Secretary General, China National Shipscraping Association
Mr Li Hongwei	Manager, Jiangyin Xiagang Changjiang Shipbreaking Yard
Mr Yan Zhiping	Asst. Man. Jiangyin Xiagang Changjiang Shipbreaking Yard
Mr Siu Jincai	Manager, Siko Enterprises Ltd, Hong Kong
Mr Alan Marsh	Chairman, Braemar Seascope Ltd
Mr Gary Weston	Chairman, H Clarkson & Co Ltd
Andrew Craig-Bennett	Consultant
Mr Michael Waldman	Rogliano Salles, Paris
Mr Ian Bouskill	Secretary, IMIF

Thursday 18th September 2003

AT EXCEL CENTRE, LONDON

SEATRADE LONDON INTERNATIONAL MARITIME CONVENTION

A PARLIAMENTARY-STYLE DEBATE IN ASSOCIATION WITH

IMIF

"This House believes that traditional shipowning has no future"

"IMIF has always been at the cutting edge of thinking" - the opening remark by Christopher Hayman, Managing Director, Seatrade set both the tone and the standard for the debate that followed. Suffice it to say that all the panellists, each an acknowledged expert in his own sector maintained that cutting edge standard throughout.

A momentary side debate when our illustrious Chairman was accused of bias by the redoubtable Jean Richards who pointed out that he had twice called upon panellists "on his side" (our Chairman was seated on the dais alongside the pro-motion panellists) to reinforce a point.

She had no doubt where the matter stood. Wearing her 'Denholm' hat she proclaimed that the traditional owner is alive and well. "Thirty years ago when the market was volatile the small owner took risks. He would buy his vessel and put it into the operating pool. Now the shipowner is big and he still does the same thing!"

Later when the discussion turned to 'logistics' she returned to the theme again. "Logistics was used as a word long ago. The truth is that there are still lots of small owners out there" Jean said emphatically "taking risks!" Bias or no in the end the motion was heavily defeated.

An excellent report by [Tony Gray of Lloyd's List can be found in the Press cuttings.](#)

Chairman: James G Davis CBE, K (Dk), Chairman, IMIF	
Panel:	
.....	For the motion
	Tim Congdon , Managing Director, Lombard Street Research Ltd
	Andrew Craig-Bennett , Journalist and Commentator
	Peter Goodfellow , President & CEO, Stelmar Shipping Ltd
	Against the motion
	Alan Gavin , Marine Director, Lloyd's Register of Shipping
	Clay Maitland , Managing Partner, International Registries, Inc
	Peter Stokes , Executive Director, Lazard Brothers & Co Ltd

Monday 8th September 2004

	
Venue	:	Vroon B.V.,Haven Westzijde 21, 4510 AA Breskens, The Netherlands and the Restaurant de Vijverhoeve, Sluis, The Netherlands
Hosted	:	Peter Vroon
Guest Speaker	:	Mr Doebren Mulder, Chairman,
Title	:	Tanker and Platform Dismantling Foundation, (Stichting Tanker Ontmanteling Platforms) - STOP. talking on the proposed Green Recycling Yard in Eemshaven

This was the first IMIF buffet luncheon to be held outside the United Kingdom and it continued the IMIF "Green" ship recycling discussions entered into with the Chinese Shipscrapping Association in September. The UK based delegation travelled by Eurostar from Waterloo to Lille and then by road courtesy of Vroon to the Vroon offices at Breskens.

Peter Vroon welcomed the assembled delegates to Breskens and began by giving a brief introduction to the Vroon group which comprised cattle ships, petrol tankers, chemical tankers, car carriers, reefers and offshore supply vessels. He added that he was proud to be a long term member of IMIF.

Jim Davis responded thanking Peter for "the honour of being here in the centre of the shipping universe". He referred to the wide spread of the IMIF membership throughout the maritime industries. He recalled IMIF's original suggestions for Scrap and Build, the problems of oversupply of tonnage, the dangers of buying 'cheap' unnecessarily and the 'dear' consequences. He talked of the predictable life of a ship, say 20 years? - and its residual lwt value. "We need to find an end to a ship's life" he said. He referred to a visit to a breaking yard in Taiwan "it was a shade of hell" with people perched on the fo'c'sle of the ship, cutting away the plate they were actually standing on - and little women chipping away asbestos with a copper pipe. Greenpeace and the ecologists are very critical - 'You are killing people' they say while the breakers themselves say 'We need the work to survive'. Jim reminded everyone that the Dutch had been the first to bring in a 'scrapping premium' built into the purchase price of new cars to cover the cost of their eventual disposal. Jim asked, "Why not the same for ships!"

Mr Mulder and STOP say it can be done. IMIF should listen to STOP and promote their ideas. We

have recently met and talked to the Chinese Shipscrapping Association which is thinking along the same lines. And of course events are now unfolding at Hartlepool in the UK with the US reserve fleet. IMIF is observing all of it very carefully.

Doebren Mulder, Chairman of STOP reminded us that until the 1970's most ships were broken up in Europe. But with stricter regulations concerning the environment, health and safety dismantling became expensive and the industry moved away to the Third World, with many ships ending their lives in India, Bangladesh, China, Pakistan and Turkey and today 90% of all vessels from the richer countries finish up on these beaches where no proper standards are enforceable.

Over 100,000 men, women and children work in ship demolition, breaking ships with no protective clothing and with their bare hands. Referring to Alang he added that many workers are injured or killed through fire, explosions, failing steel plates and poison gasses. They are exposed daily to noxious substances, mercury, lead, cadmium, arsenic, asbestos with significant damage to their health and many of these noxious substances find their way into the immediate environment including soil, rivers and the sea itself. Pollution is worldwide and the seas are all connected. The number of ships requiring demolition is predicted to rise rapidly now with the phasing out of some 1300 singlehull tankers - most of them expected to end up on the same third-world beaches. Greenpeace, the Royal Association of Netherlands Shipowners and IMO are all making efforts to bring about the global regulation of ship recycling.

The Basel Convention, set up in 1989 and signed by over 100 countries with the intention of restricting the production and export of dangerous substances is issuing guidelines on the environmentfriendly recycling of old ships. Mr Mulder reminded the group that the Netherlands actually detained 'Sandrien' in 2001 under the Basel Convention when the tanker, containing asbestos, was on its way to Asia for demolition. STOP suggests that 'dirty' ships could perhaps be cleaned up during maintenance work, with poisonous materials being replaced by safer alternatives - and where the use of dangerous materials is unavoidable they should be registered. To be fully 'green' any demolition centre would need to have a watertight dry dock, highly skilled workers with protective clothing, specialist equipment and responsible waste disposal management. China is halfway there. And in Holland we have begun to talk.

On 20 November 2002 the *Stichting Tanker Ontmanteling Platforms (Tanker and Platform Dismantling Foundation)* STOP was set up to create just such a yard at Eemshaven, a location bordering on the vulnerable natural environment of the Wadden Sea. The Foundation is therefore undertaking a 'zero pollution strategy'. It is initially estimated that the yard will require 75 workers to process between 10 and 12 tankers a year. The yard will take two years to build. STOP approached Greenpeace. They were very positive about it. Mr Mulder reminded the delegates that Dutch labour is not cheap and that Holland has the toughest legislation in the world with regard to health and safety.

Participants in the scheme will include Barn nbm infra; Isotechniek; P&O Nedlloyd; Steenhuis Recycling; BGP engineers (who own the land to be used for the project); Groningen Seaports and various local councils. STOP's aim is to set and apply the necessary standards that could and

should be developed globally - at present there are none. It should lead to worldwide certification and education. Mr Mulder contemplated a future scenario with up to 400 workers. All the best environmental factors were present including the railway and a harbour 12 metres in depth so everything was in place. He too was following the saga of the US 'ghost ships' including the possibility of 'building' suitably 'green' ships for the US navy. Certainly the potential for scrapping was there.

Apart from 700 regular ships coming up to scrapping age there were the 1300 single-hull tankers due for demolition before 2007. There were the 119 US 'ghost' ships, 270 drilling platforms in the North Sea and, in Europe 32 'problem' ships including 'Sandrien'. STOP proposed three drydocks initially, 310 metres x 55 metres (Panamax) and the development of 'green' energy using wind farms. Mr Mulder regarded cooperation between STOP and IMIF as an important step forward.

The meeting then adjourned to a most delightful restaurant set within a farm complex, the Restaurant de Vijverhoeve at Sluis where the discussions continued with Peter Vroon, Ravi Mehrotra and Jean Richards putting present day shipowners' viewpoints in contrast to the proposed ideal future scenario. Ravi emphasised that the world is governed by economics, with books to balance and that the scrap endprice was brought about by the demand for steel - it was not set by the breakers. Current prices are up simply because China needs 120 million tonnes of steel and at present there is a shortfall. Jim Davis summarized by saying that STOP should limit itself initially to specialist demolition of e.g. rigs and US Sealift vessels to test the practical methods of STOP and to demonstrate how eco-friendly demolition can be done. STOP should also concentrate on consulting / joint venturing with eg the Chinese once their methods are proven.

IMIF would like to thank our extremely generous host Peter Vroon, our guest speaker Doebren Mulder and his team and all the IMIF delegates for participating. It is very much appreciated.

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Jim Davis CBE	Chairman, IMIF
Maria Dixon	Shipping Consultant Panamanian Consulate General
John Faraclas	Shipping International Monthly Review
Ravi K Mehrotra	Chairman Foresight Group
Struan Robertson	Partner Stephenson Harwood & Deputy Chairman IMIF
Jean Richards	Managing Director Fairwind Shipping
Veronica Vallarino	Consul- General of the Republic of Panama

Ian Bouskill	Secretary IMIF
DUTCH DELEGATES	
Peter Vroon	Host Vroon B.V.
Doebren Mulder	Guest speaker Chairman STOP
Pieter Baan	ING Bank
Peter Buijs	Secretary & co-founder STOP
Remeo Jongkind	Fortis Bank
Casper Kroon	ING Bank
Albert Lenting	advisor STOP
Herman Marks	Commercial Director Vroon B.V.
Paul van Baasbank	Vice President Shipping ABN Amro
Bertjan Volbeda	Director Transport & Energy Division NIB Capital Bank

Wednesday 5th November 2003
IMIF Annual Dinner
at the Radisson SAS Portman Hotel. London W1

The Annual Dinner this year welcomed 380 IMIF members, their guests and IMIF guests. We should like to issue special thanks to those members who paid for their own guests to attend and a particular special thank you to the members listed below who took full tables at the Dinner. This helped to assist IMIF with its overall costs immensely. We do hope that everyone who attended enjoyed the event.

BANKASSURE INSURANCE SERVICES LTD

BANKSERVE INSURANCE SERVICES LTD

CITGROUP

FORESIGHT GROUP

HEATH LAMBERT MARINE GROUP

HSH NORDBANK

INCE & CO

ING BANK

MOORE STEPHENS

STEPHENSON HARWOOD

UK P & I CLUB

WATSON FARLEY & WILLIAMS

A special thank-you from Louise Young, P/A to Jim Davis from March 2000 to November 2003 to all who contributed to her leaving present

At the IMIF Annual Dinner on 5th November 2003 in the presence of the assembled IMIF delegates and guests Louise Young was presented by the Chairman of IMIF Jim Davis CBE with a very stylish Tiffany necklace (selected by the Chairman's wife Hanny Davis) as a special thank-you for all the work Louise had put in (much of it in her own time), to successfully computerise the IMIF office and its communication systems. Jim approached some of the members who knew Louise asking if they would be prepared to contribute to the present. All the members approached were more than generous in their response.

Louise is now back in Zimbabwe working with her husband in the town of 'Mutare' near the Mozambique border and we all send her and her husband William (who was also very helpful to IMIF on computer matters) our thanks and every success. Communications in that part of the world are not so fast as here in the UK so Louise has asked us through the medium of this newsletter to say "HELLO & A GREAT BIG THANK-YOU FROM LOUISE" to everyone who contributed.

They are:	
.....	
Joe Aitken	Bank of Scotland
Graham Barnes	BankServe Insurance Services Ltd
Simon Beale	KJ Coles Amlin plc
Peter Cowling	Deputy Chairman, IMIF
Mike Dance	Jackson Parton
Jim Davis	Chairman, IMIF
Maria Dixon	Consulate of the Republic of Panama
John Faraclas	International Shipping Monthly Review
Richard Greiner	Moore Stephens
Paddy McKnight	The Japanese Shipowners' Association
Ravi Mehrotra	Foresight Group
Jim Myles	Bank of Scotland
Michael Parker	Citigroup
Struan Robertson	Stephenson Harwood

David Southwood	Heath Lambert Marine Ltd
Chris Spencer	C F Spencer & Co Ltd
Martin Stopford	Clarkson's Research Studies Ltd
Andreas Tsavlis	Tsavlis (Shipping) Limited
Veronica Vallarino	Consul General, Consulate of the Republic of Panama

3 FEBRUARY 2004

REPORT ON LUNCH MEETING WITH THE RT. HON THERESA MAY HELD AT THE BALTIC EXCHANGE

The Chairman of the International Maritime Industries Forum, Jim Davis CBE, K (DK), hosted a luncheon at the Baltic Exchange on 3 February 2004 for the Rt. Hon Theresa May, the Shadow Secretary of State for Transport and the Environment and her chief of staff, Andrew Griffith.

The principal objective of the lunch was to enable the Shadow Minister to hear a range of views from different sectors of the shipping industry as regards the issues facing the shipping industry internationally. To this end Jim assembled three members of the IMIF with very different involvements in the industry namely, the leading shipping analyst and head of Clarkson's Research Dr. Martin Stopford, from the ship owning and ship management perspective, Jean Richards of Denholms, and from the legal side, Struan Robertson of Stephenson Harwood. Clearly however it was from Jim himself that the shadow minister wanted to hear first about the current state of the industry and as to what were the important issues that were relevant to the UK in a governmental context. She was given a very clear and concise overview of where the UK fitted into Present: the international shipping scene and asked a number of pertinent questions which resulted in a stimulating discussion involving all present. Indeed, the Shadow Minister and her chief of staff were possibly overloaded with input from the other guests and had both intensive and wide-ranging talks extending from the surge in rates across virtually the whole industry, through environmental issues, including the doubts over the efficacy of double hull vessels to the growing use of tonnage tax schemes both here in the UK and in other European countries and the dangers of targeting for tax purposes those non-domiciled UK residents involved in shipping. Andrew Griffith had just returned from Brussels, which ensured that the impact of the European Commission on the shipping industry was not overlooked.

It is greatly encouraging to see such interest in the shipping industry as a whole rather than in just one domestic part of it, as the UK plays a vital role in international markets in so many ways and it

can be expected that this will not be the last contact between IMIF and our politicians on issues relevant to the shipping industry.

Present:

Jim Davis CBE, K (DK) Chairman, IMIF

The Rt Hon Theresa May, Shadow Secretary of the State for Transport and Environment

Andrew Griffiths, Chief of Staff to Theresa May

Jean Richards, Fairwind Shipping Ltd, Director

Struan Robertson, Stephenson Harwood, Partner, Deputy Chairman IMIF

Martin Stopford, Managing Director, Clarkson's Research Studies Ltd

Wednesday 12th November 2003 at 12.30 - 14.30 Hrs

	
Venue	:	Knollys House, Byward Street, London EC3
Hosted	:	Ince & Co / Richard Sayer
Speaker	:	Richard Leslie, Permanent Secretary, IACS
Subject	:	"Challenges facing Class"

Jim Davis thanked Richard Sayer and Ince and Co for their generosity in hosting this well attended luncheon and thanked Richard Leslie for agreeing to make this presentation.

Richard Leslie: Challenges Facing Class

Two areas, which are in today's papers that we shall not be addressing today in detail are the issues of "Security" and "Ghost ships". However, "Security" is a hot subject and lots of things are happening or rather not happening! As at today's date (12th November 2003) only 7 certificates have been issued out of approximately 25000 that will be needed--- 70 plans have been approved but they are unaudited. IACS has trained auditors but cannot start as RSO's await the relevant flag state's go ahead The penalty for shipowners is large - if a ship doesn't have its certificate then it cannot trade to the United States (and most probably Europe as well!).

So first -

Safety of life. Bulk carrier safety shows a reduction over time in loss of life on bulk carriers and indeed in the loss of bulk carriers themselves. However there is no room for complacency.

From a Class point of view we are looking at structural failure and flooding - with the first priority being to prevent the ingress of water.

Looking at Tankers from 1970 to 1992 the number of tankers has increased and the amount of pollution has decreased fourfold. There is a factor of only 0.001% of oil carried that is spilt in the sea but of course those spills occurred within a policy of "Zero Tolerance" so they are still unacceptable.

Three issues to be tackled are: to improve quality; to produce more robust durable ships and to raise standards for long-term operation and maintenance.

There will be additional costs for these changes - not only to cover the amount of steel, but especially for design and construction - and for a permanent means of access so enabling inspection.

The shipping chain involves Shipyards, Owners, Charterers, Port State Control, Coastal States, Flag (administrations ultimately responsible for the safety of the ship they flag), Classification Societies, Insurers and Financial Institutions. Each of the links in this chain is worthy of a Jim Davis IMIF luncheon in itself.

One has to remember that excessive regulation leads to the death of innovation - but that excessive self-regulation means no level playing field and unfair competition.

A way forward, under discussion at IMO, is to develop "Goal Based Standards"---a tiered approach to regulation. At the top: goals (Tier 1) and functional requirements (Tier 2) along with verification procedures (Tier 3) (to check that the goals are being achieved) will be set by IMO. At Tier 4 Classification societies will provide prescriptive rules to "deliver" the goals and these will involve setting risk acceptance criteria. At Tier 5 the shipowner will provide further vital means to achieve the goals by way of effective maintenance, training , working practices etc .

The challenges are

- 1 The need for the goals to last long-term and to be clearly understood.
2. The need to agree Tiers 1,2 and 3 at IMO. Things to think about here include - the ship design life, its service, whether the ship is fit for its purpose - and operational conditions.
3. IACS, in order to provide Tier 4, is to develop common rules for hull structures (tankers and bulk carriers). We need one set of common rules across all ten class societies and work, to achieve this is now underway - with a target date for completion of December 2004. The objective is to make the rule development process more transparent and efficient.

Common class rules cover; Hull scantling (net thickness); Design waves & sea states; Loads; Local

strength; Global strength; Corrosion; Fatigue etc

The organisational structure of IACS is being reformed with the creation of small working groups to develop specific technical areas. As IACS spends £50M in Research & Development - possibly more- it needs to have a structure that is efficient and transparent. Transparency is vital so that all stakeholders in the Industry can be well informed of the development of the technical requirements of the regulators.

IACS is providing increased transparency through its website www.iacs.uk.org where all the IACS work programmes are described. IACS (via hyperlinks with all its members) also provides Equasis with the survey records of all the IACS classed ships - hopefully reducing places for substandard ships to hide! Although the Equasis system has had teething problems these are now nearly history.

Briefly a fundamental part of regulation is a strong audit system. IACS has its own internal system --QSCS (Quality System Certification Scheme) -- which provides a way to ensure consistent application of the rules as well as key performance indicators to allow improved performance. Recently IACS has been working with EMSA (where there is an excellent relationship) to further advance the auditing processes within Classification Societies.

To summarise IACS is looking for

- Rational Regulations
- A level playing field
- Safety

Jim Davis: Thank you Richard, that was an excellent "tour d'horizon" There is also today's news of the arrival of the "ghost ships" -- emphasising a new factor, of trying not to put into ships things difficult to remove.

Richard: BIMCO, ICS and the owners all need to be involved here. There are designs to eliminate bad substances - but it will cost the shipowner.

Jim Davis: For years Class said only structure of ships were within their remit, but not management.

Richard: Through the ISM code we now look at management too. However these are only "snapshots " of the operational aspects of the ship which remain the responsibility of the shipowner at all times..

Nigel Barton: What about standardisation of ships - is this of any use?

Richard: I'm not sure it helps as there are so many different purposes to which a ship is put requiring so many different ship types.

Nigel Barton: Perhaps driven by economics?

Richard: Yes, but if change is needed because the rules change it can be very expensive.

Nigel Palmer: What about the competitive element. There is no standardisation among the societies.

Richard. We have unanimity amongst the members with the intention of producing common rules.

Ravi Mehrotra : Are 'green' ships being built yet?

Chris Horrocks: ICS has been trying to engage IACS and the yards to build ships "fit for purpose".

Also it has taken a long time for yards to produce a document that tells you what, is in the ship.

Jim Davis: 30% of accidents come from structure and flooding but 70% are human error. Shouldn't more money be spent on better crews?

Richard: Training foreign crews is tough and expensive.

Nigel Palmer: on manning levels - the Flag State says 7 men will do when we all know it takes 15 or more men.

Richard: The problem is IACS are the servant of the Flag States who set the manning level. However it is fully agreed that proper manning leads to proper maintenance, and a safer ship.

Nigel Palmer: The issue is a properly maintained ship - not the number of men.

Fred Hardy. For 20 years ships have been built in a particular way. Are they now going to say that as from a particular date all old designs no longer can be used?

Richard: IACS is technically neutral. It doesn't matter whether it is an (old) single hull or a (new) double hull - as long as it is built properly then both are as safe as each other. For the future we must develop a robust safety framework - and then sell it to the public.

Jim Davis: We all need to join in to sell the job.

Richard Sayer: It is a pleasure to host Jim and his team - it really is an educational group and I have to say - thank goodness there is room for an element of human error still!

Delegates attending:

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Nigel	Barton	Citigroup
Andreas	Chrysostomou	Cyprus,High Commission, Maritime Section
David	Cotton	The Salvage Association
Peter	Cowling	
Jim	Davis	Chairman, IMIF
Graham	Edminston	Hill Taylor Dickinson
John	Faraclas	Shipping International Monthly Review
John	Hadjipateras	J.C. Hadjipateras & Sons Ltd
Fred	Hardy	Bureau Veritas
Rex	Harrington	
Paul	Hinton	London P & I Club
Caroline	Holt	Lloyd's List Events
Chris	Horrocks	International Chamber of Shipping
Michael	Joliffe	London & Athens
John	Kontoyannis	Greek Shipping Cooperation Committee
Richard	Leslie	Speaker

Mattheas	Los	
Ravi	Mehrotra	Foresight Group
Boris	Nachamkin	Seatrust Shipping Services Ltd
Otto	Norland	Northern Navigation International Ltd
Nigel	Palmer	BP Shipping
Struan	Robetson	Stephenson Harwood
Richard	Sayer	Host
Chris	Spencer	CF Spenser Ltd
Peter	Stokes	Lazard & Co
Tony	Suchy	Ince & Co
Ian	Bouskill	
Paulina	Kalliakmani	

1ST DECEMBER 2003

The Panama Canal

A visit by Jim Davis CBE Chairman IMIF

I was invited in early December by the Panamanian Consul General Veronica Vallerino to attend a Conference that they were promoting together with the Canal Authority on 'The Impact of the Maritime Security Code on Latin American Trade particularly involving the implementation of the ISPS Code.

The Conference itself was fascinating because it was immediately clear that United States Government through the ever-enthusiastic Coast Guard intended a 'Zero Tolerance' regime at all its ports and ships who had not before 1st July 2004 complied with the new Code. The amount of work/authorisation to be done by that date is formidable indeed.

The Canal Authorities also have much work to do in order fully to comply. The Canal itself is running magnificently and extremely efficiently. I was taken for a visit to the [Miraflores Locks](#) and through unseasonable monsoon-type rain saw just how well and speedily the convoys were passed through. Clearly the Canal Authority under Alberto Zubieta, the administrator is right on top of the job but they have huge potential investment to make in widening the Canal to further increase the capacity in the next decade.

It was a great experience (despite the rain!) and my warmest thanks due to the hospitable Panamanians including Mr Jerry Salazar the Minister, Captain Orlando Allard, Veronica Vallarino and Maria Dixon.

If only there were direct flights London/Panama avoiding marathon long connection waits at either Miami or Atlanta!



Press Cuttings

Lloyd's List

Friday September 19 2003

Money & Ships debate will cheer the hearts of traditional shipowners

Discussion on whether status quo in shipowning has a future concludes that all is not bleak, writes Tony Gray

TRADITIONAL shipowners thinking of throwing in the towel, as they struggle to cope with a mountain of regulatory paperwork and the higher margins being charged by banks anticipating the implementation of Basel II, can relax: you do have a future.

A high level debate on the motion "This House believes that traditional shipowning has no future" at Seatrade's London International Maritime Convention ended with a decisive vote against the proposition.

The parliamentary-style debate, held in association with International Maritime Industries Forum, was chaired by Jim Davis, chairman of IMIF.

The distinguished panellists in favour of the motion were economist Tim Congdon, managing director, Lombard Street Research, journalist and commentator Andrew Craig-Bennett, and Peter Goodfellow, president and chief executive of Stelmar Shipping.

The equally distinguished opposition comprised Alan Gavin, Lloyd's Register's marine director, Clay Maitland, managing partner, International Registries, Inc, and Peter Stokes, executive director, Lazard Brothers & Co.

It was an eloquent and literate debate, with references to such diverse sources as Isambard Kingdom Brunel, Oscar Wilde, Plato and the Bible, as well as great shipowners past and present.

Mr Craig-Bennett opened for supporters of the motion with the accusation that shipping was "hidebound by tradition" with "nearly every major innovation coming from outside our industry".

A railway engineer, Alfred Holt, had established the concept of liner shipping, while trucker Malcom McLean became the 'Father of Containerisation'.

He declared that the barriers to entry in shipping had now risen and only large corporations could approach the capital markets.



For the motion: Andrew Craig Bennett takes the stand.

"It is very difficult for new entrants to become traditional shipowners," Mr Craig-Bennett warned. "We are seeing a thinning of the ranks."

Mr Goodfellow took up this theme suggesting that "the plethora of legislation", the higher standard of performance expected by customers, and the increased level of liability were working against the traditional shipowner.

The corporate owner allowed investment in shipping shares without "risk to your life and limb and fortune".



Stokes: "Nothing new under the sun."

Mr Stokes, in the vanguard for the opposition, invoked Ecclesiastes' "there is no new thing under the sun".

Were the markets likely to undergo a fundamental change, he asked. Volatility and cyclicity remained while predictions that the internet would render shipbrokers redundant had proven ill-judged.

Supporters of the motion, he said, had painted "an absurdly narrow and pejorative" picture of the traditional shipowner, using descriptions such as secretive, buccaneering, small and no scale.

Mr Stokes also pointed out that neither public ownership nor syndication of risk were new, but "traditional as possible".

Mr Gavin acknowledged that the term "traditional" had taken on some negative connotations.

"But if we believe that there is room for the definition of a 'traditional' shipowner, which incorporates a commitment to a high quality of operation, then it may be argued that there is certainly a future for shipowning of this kind."

Mr Maitland said traditional shipowners would only continue to exist if they paid strict heed to the standards demanded by power blocs such as the European Union, the US and North Asia, as well as the OECD.

"Quality and environmental awareness are no longer the best policy — they are the only policy," he said.

The two-and-a-half hour debate was one in which the heart may have played a role at least as large as that of the mind. But the outcome was clear: four votes in favour of the motion, 19 against.

Lloyd's List

Friday September 23 2003

Heated debate

GENIAL Jim Davis came under friendly fire as chairman of last week's Seatrade debate on the motion: "This House believes that traditional shipowning has no future".

Davis' impartiality was called into question by an unholy alliance of Denholm's Jean Richards and International Registries' Clay Maitland.

First, IMIF chairman Davis had the temerity to sit with the proposers of the motion on the right hand

side of the platform.

All outraged innocence, he later blamed the seating arrangements on the organisers.

But when the debate went to the floor, the hapless Davis compounded this injustice by apparently favouring his seating companions.

The feisty Richards accused the chairman of bias in allowing the proposers to respond to comments from the floor but not offering a similar opportunity to the opposers.

“I hope Clay Maitland comes back with all guns blazing,” she declared.

Maitland, an opposer, duly obliged by calling for a “motion of censure” on the chairman.

It wasn't necessary: Davis's alleged favouritism could not prevent the motion being defeated by a factor of 5:1.

Lloyd's List

September 30 2003

Dutch treat

THE International Maritime Industries Forum's lunchtime debates have developed a strong following among the maritime community in the City.

Now, IMIF is truly putting the 'international' into these sessions, which have the laudable aim of helping to right the wrongs of the shipping industry.

For the first time in its 23-year history, the London-based organisation is holding a buffet luncheon abroad — at the Vroon offices in the Dutch fishing village Breskens.

IMIF's inimitable chairman Jim Davis will be leading the London delegates in what promises to be another vital debate.

Guest speaker is Doebren Mulder, chairman of the project which aims to start “green” scrapping at Eemshaven.

The expected attendance of Richard Schiferli, general secretary of the Paris MoU, and a senior Greenpeace delegate should help to ensure a lively discussion.

For the scrapbook

TO THE Portman Hotel in company with a glittering company for the annual dinner of the International Maritime Industries' Forum which, under its esteemed chairman Jim (Recycling) Davis, has long been a significant date in the social calendar, like the Chelsea Arts Ball or Buckingham Palace garden parties.

A record number of attendees, which perhaps indicates the health of the shipping markets, is in astonishing contrast with the situation which begat the IMIF all those years ago, when the Aegean was roofed over with unwanted tankers and marine lenders leaping out of high windows.

Pride comes...

IN SUCH circumstances it was perhaps predictable that the IMIF chairman's homilies, which traditionally precede the appalling jokes, contained a few words of warning to all those who were toasting record capesize rates and shipyards packed with containerships, along with some jolly fine lending.

As the years have progressed, Mr Davis' thoughts have mellowed and he has gently embraced green agendas which make him slightly suspect in the eyes of traditionalists. But his unwavering belief in the fact that markets remain cyclical shows that his eye remains keen.

Davis brings his bag of jokes to dinner

Jim Davis did not let well-intentioned criticism in TradeWinds of his bad taste in jokes cramp his style at this year's International Maritime Industries Forum (IMIF) annual dinner in London's West End.

In his speech shipping's best known raconteur muttered some vague references to "political correctness" but could not resist the temptation to try out his latest "jokes".

"I can feel something coming over me," he told the audience before launching into a series of wisecracks that lampooned the Irish.

Davis had reason to be cheerful as this year's -event broke all previous attendance records, thanks

perhaps to the healthy state of the shipping markets.

One other person to come out of the dinner smiling was Peter Swift, who won the raffle and a bottle of champagne.

Lloyd's List

Friday, February 13 2004

Telling it like it is

HEY, shipowners!

Looking for a chance to haul those nasties from port state control over hot coals, as they so richly deserve?

Hey, port control inspectors! Seeking an opportunity to grill owners directly, rather than their hirelings?

Both sides will get the chance to hammer out issues of mutual concern — in friendly fashion, we hasten to add — later this year.

This one-off chance comes following a joint initiative of two influential backstage industry figures, Jim Davis and Richard Schifferli.

The top men at the International Maritime Industries Forum and the Paris Memorandum of Understanding on Port State Control have organised a conference to bring the two sides together in The Hague, with the date October 6 pencilled in.

More details when we have them.

Lloyd's List

Wednesday, February 25 2004

Able UK is to be applauded

From Jim Davis

SIR, It was heartwarming to see 'Break up...' (Lloyd's List February 23), a clarion call for the

developed countries of northern Europe to hasten an environmentally acceptable way of breaking (recycling) obsolete ships.

As you report, much publicity — mostly misinformed — was recently given concerning the US “ghost ships” destined for recycling by Able UK in Hartlepool.

There have been constant references to these vessels as being especially ‘toxic’ or ‘contaminated’ and somehow about to pose a threat to the environmental purity of the UK.

The truth is very different. All ships, except those very recently built, contain a certain amount of asbestos and other chemicals in their construction. (All motor cars similarly contain a certain amount of noxious substances in their construction.)

With the passage of time all ships (on which the world depends for the transport of more than 90% by weight of all goods, natural or manufactured) come to the end of their life and have to be scrapped.

There are two ways of attending to this scrapping process.

The vessel can either be sent to India, Bangladesh or China, where it will be broken up in far from ideal conditions, or it can be broken up in a responsible and environmentally friendly way in a breaking yard specially designed to handle the dismantling of the vessel and the disposal of the less pleasant components in correct fashion.

Certain countries are now building these ‘green’ yards.

The environmentally responsible Dutch are in the early stages of designing and constructing such a yard at Eemshaven.

Let us not forget that the same environmentally responsible Dutch already impose an additional levy over and above the purchase price of any new cars and this money is used specifically to cover the ultimate recycling costs of such cars when they become obsolescent.

By contrast, we in the UK see a depressing number of such old cars abandoned by the roadside.

In China, the China National Shipscrapping Association and its sister group, the China National Shipbreaking Corp are already installing similar environmentally ‘green’ shipbreaking yards at the Chiangjiang Shipbreaking Yard at Jiangyin.

Certain of the large ship operators including P&O Nedlloyd and BP are co-operating in the promotion of these facilities.

And now we see a similar exercise in Hartlepool. Surely it is to be applauded, and not exposed to a tirade of abuse by people who in many instances have no knowledge whatsoever of the international maritime industries on which the quality of their lifestyle is totally dependent.

Not only is Able UK (and the other breaking yards I have mentioned) going to dispose of these and any future ships at the end of their life in an environmentally responsible manner but in the process they will be providing useful employment in the local areas.

There is of course a third way of disposing with surplus vessels, by scuttling them at sea, but this would be surely an instance of deliberate pollution.

IMIF has long been urging action on this front and like you we commend the government initiative in at least investigating the matter realistically and not in the emotional way dear to the conservation/environmental lobby.

J G Davis CBE

Chairman

The International Maritime Industries Forum

London

March 2004

How different the Maritime Scene looks today from when I wrote last year. I was then, with the Iraqi war looming, extremely cautious about making predictions of 2003 although I did feel that the Market would improve substantially during the year. I surely underestimated the incredible improvement that did take place. Now all areas of the Shipping Industries enjoying (insurance underwriters excepted?) record earnings and prosperity. Our old friend and economic guru De Martin Stopford of Clarksons has even identified 10 records, which were established in 2003 ranging from the Bulk Trades with earnings exceeding \$20 billion, to significantly, Shipbuilding output which in the year exceeded 22.5 million cgt. China justifiably receives the accolade for imports, among which was iron ore rising to a monthly figure of 10 million tonnes. No wonder Bulker owners were smiling as rates swept to beyond \$100.000 a day!

China deserved further acclaim for its vast exports of consumer goods which more than any other revitalized the troubled containership industry. China also paid unprecedented rates per lwt for ships for scrap.

All this could lead to a dangerously high sense of optimism and contentment. But just how fragile is this delightful boom? In his recently published Report on 2003 my friend Michael Grey referred to me as the Cassandra of the Industry. In one sense he is so right in that I, in company with others, forecast that this boom will not last forever. The trouble is to identify how long it will last. I believe 2004 will be another excellent year but that over 2005 hovers a huge question mark. The boom is based on continued super consumerism particularly in the US (on borrowed money too!) while new tonnage to meet this conspicuous demand is being poured out from the yards.

Forecasting is made ever more tricky by the unknowns, e.g. Terrorism. Will the imposition of ISPS from 1st July 2004 with 'zero tolerance' by particularly the US Coastguard produce a stutter in trade? What will be the extent of further Regulation by IMO and, much more unpredictable, the EU? Will such regulations bring forward obsolescence of many ships? Will such enforced early obsolescence make it easier to absorb the unprecedented introduction of newbuildings? Will there be more and more and bigger claims against shipowners for alleged 'wrong doing' such as pollution? Will the Scrapping/Recycling industries be able to meet new 'Green' requirements?

It is quite a conundrum but it surely indicates a certain caution.

My forecast for 2004 for what it is worth is that World Economic Growth will continue to sustain the Shipping markets for the whole of 2004 and early 2005, after which there will be a manifestation once again of overtonnaging and a substantial drop in rates in all sectors with the exception of Gas Carriers. Thus caution is indicated for the present.

'The worst decisions are made at times of highest prosperity' I have frequently voiced. So our 2004 resolution should be a determination to avoid making them.

J G Davis CBE