

I sometimes wonder whether the media and maybe we ourselves do not joyfully embrace schadenfreude and the indulgence of self-fulfilling prophesy of doom. We seem to be overwhelmed just now with talk of "Recession".

There can be no doubt that past overindulgence and borrowing have brought about the "sub prime" credit crisis and energy panic. What to me is surprising is that so few people seemed to have any idea that this sequence of events was completely inevitable. Government and bankers, particularly, showed themselves to be incompetent and ignorant or, at best, absurdly optimistic by refusing to acknowledge – and therefore make suitable provision for – what was to come.

The world economic situation is indeed serious and predicates that much will have to change in our hopes and expectations in the Western World.

Amidst all this however how should the Maritime Industries react, and what are our peculiar problems?

I am trying to be optimistic but realistic.

### **Market**

The 6.5 billion humans who live on our little planet continue to "consume". Thus economic activities – not least in food production – will continue to grow. The balance of trade position of the various continents will ineluctably alter but the total activity will continue.

Shipping, as the main method of transport will continue to grow amid changing trade patterns. **But** I sincerely hope that we shall not repeat the folly of yesterday and overbuild and oversupply. A very difficult thing it is to counsel prudence when freight rates have for so long been buoyant.

Already though there are creaking noises in Tanker and Dry Bulk rates while Containers are experiencing my dreary forecast of very serious over-tonnaging and falling rates. Indeed the Container Trades present a gloomy picture for 2009. A combination of over-supply of ships, sluggish growth of trade (1.7% growth in 2008 and 2.8% in 2009), soaring operating costs (bunkers, crew etc etc) is not a gleeful picture. The final death of the once mighty FEFC (Freight Conference) now banned by the European Commission comes at the very moment when it might have had a stabilising effect. Slow steaming and lay up now become a stark necessity rather than a matter of choice.

### **Ecology**

Ecological concern over the conflicting influences of CO2 and sulphur will further promote inter governmental "action". Thus the fuels themselves and the machinery of ships will need to conform to new legally enforced requirements. The opportunity for the Maritime Community presented by this is to institute a well ordered and presented PR movement to demonstrate the eco friendly position of shipping when compared with other forms of transport (notably road). Parenthetically, is slow steaming ("big, fat and slow") now here to stay?

It would represent a real triumph for me as I have for decades been supporting the concept of the 'pipeline' as opposed to high speed projectile like freight vessels.

### **Manning**

Much has been said and written – though rather less done – about the need to attract and train young people to "go to sea". The profession has changed beyond recognition during my lifetime; it has lost much of its unique attraction and cachet. ("Only sailors – jack tars – see the world." Very different today.) Crews are small; port time

(often at a miserable terminal) is short, etc etc. The working life cycle of seagoing still needs to be re-approached so that the young can enjoy their years until, say, mid thirties, in the highly responsible shipboard life before coming ashore as trained "Transportants". Ship people have become far more akin to airline pilots and must be awarded more defined leave, pay and conditions.

This is an old hobbyhorse of mine, I know.

### **Regulation**

The industry is becoming awash with international and national regulatory rules. One is not arguing just against this nanny type behaviour but at the steady growth of different authorities in dreaming up "rules" and individually enforcing them. IMO should be the only arbiter of maritime behaviour, backed by its constituent sovereign states.

### **Safety**

In our "blame society" day-by-day attention is being directed at identifying just who can be named as being responsible for any and every act. Owners, Flag States, Classification Societies, Insurers, Port Authorities, Financiers can individually or severally be enthusiastically accused of negligence.

In reality Shipping has an enviable safety record and though complacency must be resisted this record should be fiercely protected to the public. Personally I have been surprised at the weak response from the Industry who have frequently adopted a tremulous "Yes we must do better" attitude to inaccurate criticism.

### **Piracy**

With hijacking becoming positively regular in the Gulf of Aden (more than 40 this year) and the West African Coast on top of many previous occurrences in the Malacca Straits, it becomes imperative that Governments should get together and enforce police activity through combined Naval presence. It is appropriate that the IMO through Efthimios Mitropoulos its excellent Secretary-General is taking the initiative in this.

I am proposing that IMIF will over the next period at its regular lunches and elsewhere address all these continuing aspects. They are by no means original but a determination towards action rather than words will be.

**PS** Since writing the above we have had the appalling further shocks involving Lehman, HBOS, even Fortis and Goldman Sachs. Does it mark the final obsequy of Investment Banking? What surely it does indicate is the need to return to living within one's means and working on the productive areas of the economy rather than the esoteric paper/money shuffling devices of the Capital Markets.

Jim Davis

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## **REPORTS**

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### **IMIF Buffet Luncheon Tuesday 13 May 2008**

<b>Host:</b>	Michael Woods, Head of Stephenson Harwood Environmental Group Julie Clegg, Stephenson Harwood Liaison Partner for IMIF
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<b>Speakers:</b>	Franklin Willemstein, Director, KEMA Quality BV Albert Diederling, Certification Expert, KEMA Quality BV
<b>Subject:</b>	Certified and Audited Ship Dismantling Wharfs by KEMA As Licensed by a Greendock Patent

In 2003 an IMIF delegation led by Jim Davis travelled to Breskens for a luncheon hosted by Pieter Vroon. The guest speaker at the luncheon was Doebron Mulder, Chairman of Ecodock, the new 'green' ship-recycling venture intended to be constructed and located at Eemshaven in the Netherlands.

Earlier this year IMIF was again approached by Doebron Mulder offering to update IMIF on the project, now renamed Greendock. A date was fixed but Doebron Mulder then had to go to Thailand. In his place IMIF instead met two of the project's 'environmental auditors' from KEMA Quality B.V. Franklin Willemstein spoke first explaining the structure of KEMA worldwide. With a staff of more than 1600 assessors KEMA specialises in environmental vetting of a multitude of different ventures.

Albert Diederling focused specifically on Greendock and the dismantling of ships in a 'controlled' environment. Each vessel would be dismantled in the dock and the various segments brought ashore with the individual parts then sent for disposal or for re-use. The safety record would clearly compare favourably with 'beach scrapping' where at least one casualty or fatality occurs per vessel scrapped. Guidelines would include an inspection of the vessel before dismantling, an assessment of all processes and checking that the processes complied with mandatory regulations. Mr Diederling acknowledged that currently each ship sent for demolition was a surprise with very little knowledge of any risks contained within it.

The priorities for Greendock were High Technology dismantling, High Yield recycling – and 'safety' for the people working on any vessel. A video was shown demonstrating each of these factors. Jim Davis opened the discussion. He referred to the scrap industry on Gadani Beach. "It is a hellish scene," he said "but you have to take into consideration the fact that if you attack their efforts you will be taking away the livelihood of thousands and thousands of people even if they are scrapping ships the 'wrong' way. Of course lots of ships do need to be broken up. Another factor for consideration is that ship scrap is of the very 'highest' quality steel."

This led Alan McCarthy of Eurofin International to point out that most owners, given the choice between an environmentally friendly scrapping and a beach scrapping with a higher financial return would go for the highest price every time. (Gary Weston of Clarksons and Alan Marsh of Braemar had made the identical comment at a meeting hosted by IMIF for the China National Shipbreaking Corporation some years previously.)

Richard Greiner referred to the life ownership cycle of a ship and the fact that the full responsibility

for the disposal of the ship under the present system always fell disproportionately on the last owner of the ship.

Fred Hardy of Bureau Veritas raised the issue of the UK scrap venture at Barrow in Furness. A potential stream of US ships for scrap with all the employment potential for the area was being brought to a halt by environmental protesters even though the scrapping would be done in the most environmentally-friendly way.

Jim Davis pointed out that we could not continually keep on eating up all the ore in the world still to be mined. A balance would have to be found both ecological and economic.

Alan McCarthy for good measure reminded delegates that a large part of the Russian merchant fleet was over 30 years old. "Where do those ships go?" he asked. Clearly in the world of scrapping and recycling there was still quite a long way to go.

Jim Davis thanked the speakers and also hosts Michael Woods and Julie Clegg of Stephenson Harwood for their kind hospitality.

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### **IMIF Buffet Luncheon Tuesday 10 June 2008**

<b>Host:</b>	Paul Hinton, Chief Executive, Billbrough & Co Limited
<b>Speaker:</b>	William King, Past Master, The Worshipful Company of World Traders
<b>Subject:</b>	Challenges Facing Liquid Cargo Regulations with Reference to the Oils and Fats Trade

IMIF delegates were lured to the offices of Paul Hinton for this IMIF buffet luncheon by two promises, the first an especially exotic meal (promise kept in full) and the second, the fact that the guest speaker was for a change one of shipping's 'customers' rather than the maritime industries service providers or regulators who normally share their knowledge with IMIF. Such a speaker had surfaced once before, Catherine Bacon of Cargill as one of a group of speakers at an IMIF conference many years back in the 90's.

William King has had a long and distinguished career, first with the Armed Forces and then in the City. His father was a City merchant, on the Baltic, working with Eggar Forrester, then Unilever in Baghdad dealing with tropical agricultural commodities, Sugar, Oilseeds, Rice, Cocoa, Lauric Oils, Palm Oil, Palm Kernel Oil and coconut oil. This might explain how William when he came to the Square Mile started work first with Lonhro and then with the International Contract Issuing and

Arbitral Bodies SAOL, RSA, TFCA, FOSFA, IGPA, and FCC. The Sugar Association had its own cargo superintendents and William learned his basic supervision skills with them. But, after six years with the Sugar trade, he moved commodities to FOSFA and became Technical Manager and Trade Education Director. It took their Technical Committee some three years to get the agreement of IFIA, IPTA and some of the major parcel tanker owners to realise the fears of the oils and fats trades and to accept a Superintendents Code of Practice to be used by all Cargo Superintendents when loading and unloading of ships carrying cargoes on FOSFA contract terms.

In the commodity trades, William explained, when things go wrong it is very often the cargo superintendent who is at the front line and the first to detect any mishap. It is the Superintendent's remit to ensure that the correct quantities are loaded and that the proper samples are taken for analysis from shore-side storage, pipelines, road wagons, rail cars or ship's holds. As for containers, William said he had seen it all – no doors, no roofs – and no cargo! Supervision and the detection of contamination are paramount. The problem with parcel tankers is that hold coatings can break down and the present cargo can go behind the coating and come out again in the next cargo. Additionally he has to ascertain the 'everything' is 'fit for purpose'.

For ten years William was Secretary of an ISO Technical Committee ISO/TC 34/SC11 Animal and Vegetable Fats and Oils. There are some 60 countries on the Committee but only those who participate in research are entitled to vote and there are 19 of them. William went on to discuss in some detail FOSFA FAME (Fatty Acid), GAFTA RUBBISH CONTRACT, IPTA, CONTAINERS and MSC ITT. Malaysia and Indonesia have announced ambitious plans to increase oil palm planting and to develop biodiesel processing which in total will add up to 9 million tonnes of biodiesel production capacity. The Port of Rotterdam expects to be producing at least 2 Million tonnes / year of biofuels in the next few years. Several biofuel operators are already located in the port and the Port Authority had received 14 requests for biofuel projects in January of this year (2008). Two new FAME contracts have been launched for use in the Global Market, one on FOB terms, the other on CIF terms.

William had enquired from his successor at FOSFA whether there were any difficulties about the suitability of coatings in Road Tankers for the carriage of edible oils after the carriage of biofuels. There were worries but strict inspection and much more regulated proper cleaning was holding its own. Some analysis by petro-chemical laboratories has now become part of the contract.

William's interest in GAFTA CONTRACTS FOR RUBBISH stems partly from his appointment as Mayor of Haslemere. This contract relates to the disposal of Biomass (in Bulk) – that is biodegradable products from agriculture and forestry as well as biodegradable industrial and municipal waste to be used for the production of power under EU regulations. As William said "It may be rubbish to you sir, it is bread and butter to me!"

A special slide was included for viewing. A farmer stood in front of his latest crop. It was 12 feet tall, occupying 1200 acres and intended to be cut up and baled then transported to a power station by

road as biofuel. The crop was elephant grass, the location, Norfolk, UK!

William went on to discuss in detail the complicated subject of coatings in relation to the ocean transport of biofuels and also animal and vegetable fats and oils. As a rule of thumb, William finished by saying, 'smell' is an indicator that a container is not 'fit for purpose'.

The IMIF delegates responded on many fronts, raising the subject of incinerators, nuclear fuel, speculators distorting prices, oil in the ground deliberately not being used so as to provide a reserve for future grandchildren of the oil owners, politics taking precedence over economics, and the fact that hydrogen cars were just as greedy as conventional cars.

Colin Cridland of Braemar raised one aspect. "There are food shortages in Mexico while at the same time traditional diesel trains are having to be used to carry the biofuel now being grown there because trains cannot operate using biofuel.

Jim Davis thanked Paul Hinton for the splendidly exotic lunch – and William King for an exotic subject so ably presented.

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### **IMIF Buffet Luncheon Tuesday 1 July 2008**

<b>Host:</b>	Simon Stonehouse, Brit Insurance at Lloyd's Chairman London Joint Hull Committee
<b>Speakers:</b>	Alan McCarthy, Consultant, Eurofin International Limited
<b>Subject:</b>	Russian & FSU Shipping: An Untapped Market

Simon Stonehouse welcomed IMIF delegates to the Brit Insurance offices in Bishopsgate. First a buffet luncheon in the splendidly equipped presentation theatre and then Alan McCarthy came to the podium to introduce 'Russia'.

He quoted Winston Churchill – "It is a riddle wrapped in a mystery inside an enigma" before showing the first slide 'A statement of the Obvious'. This emphasised that the countries of the FSU and CIS have – 1. a long and proud maritime history – Peter the Great was one of the instigators, - 2. a well educated and highly trained workforce – 3. economic growth rates higher than OECD averages – 4. an increasing demand for international seaborne transport – 5. an internal transportation infrastructure that is heavily reliant on inland waterways, (a 5000 tonne ship can travel from St Petersburg to the Med by internal canals and rivers) – 6. there is a huge and varied fleet of waterborne assets – and most importantly – 7. there are more than three Russian shipping

companies!

Alan continued with more facts. The exploitation of vast oil, gas and mineral reserves will drive an increase in commodity 'exports' – increasing wealth and improved diets will drive increased 'imports' of high value finished goods (containers) and fresh and exotic fruits and foods (reefers). In a short while Russia will be Europe's largest importer of chilled and frozen foods. There is a demand for cars, fridges, TV sets. In the 1960s there were virtually no vehicles, in the 1980s there were some vehicles but now everything is available! Alan went on to show some typical FSU ships with such examples as a Sovcomflot Aframax Tanker, Bow Loading, Ice Class, built 2005; a Sakhalin Energy Harsh Environment Semi-Sub and a FEMCO Ice-breaking Multipurpose AHTS Standby vessel. (They had one tug in 2003 Alan advised, now they have 14 units including ice-breaking anchor handling response vessels.) For good measure he threw in a Belokamenka FSO - (converted ULCC) at Kola Bay, Murmansk and one of the North Western Shipping multipurpose General Cargo 3060 DWT; 136 TEU vessels.

With a view to analysing the fleet Alan first accessed a general survey of the Russian Register. This produced more than 35,000 units including fishing, dedicated river fleet, river and auxiliary craft. Alan started again! This time by concentrating on deep sea, short sea, offshore and port service he reduced the exercise to 2,990 units. By then excluding the Baltic States, Caspian Sea bordering countries and the Russian Far East he reduced the list to 1,544 units – around 20 million DWT. The 1544 identified units were then broken down into vessels by type. (GC-MPP 661, tanker 296, port service 275, bulk carriers 91, reef freezer 89, offshore 37, RoRo 38, heavy lift 33, passenger ferry 18 and containers 6) His next step was to identify the companies, analysing them over the number of ships they owned (clearly vessels in offshore companies not identified as FSU were a variable.) He found 183 with more than one ship, (29 with more than 10 ships, 33 with 5 – 9 ships, 121 with 2 – 4 ships) – and 255 companies with one ship only. The Fleet Age Profile revealed that 24% of the fleet is aged up to 15 years old, the remainder in tranches up to over 30 years old but with up to 1000 ships scheduled for replacement in 5 years. A detailed slide analysed fleet renewal funding broken down over age, building cost and percentage of loans and equity required for a possible 1,106 vessels. "Okay," Alan said, "so they won't replace all these ships with new buildings but there is still a huge potential market."

Alan finally summarised by asking what it all meant. He stated that skills and experience are as good as anywhere. There is an enviable tradition of sea navigation and engineering. Economic growth is strong and expected to remain so. There has been a rapid development of transportation and logistics infrastructure. There is a rapidly developing private sector with substantial growth potential. There is a new generation of international managers and entrepreneurs. There is increasing reporting transparency and improved corporate governance (although Alan agreed that this still has a long way to go.) Add to this an ageing fleet with genuine growth potential, a huge funding requirement not dependent on overheated markets – and higher than average spreads. There is strategic support and assistance from powerful organisations like EBRD, there are developing internal financial institutions and investment banks and lastly – the Russian Flag.

Alan acknowledged that this was still anathema to most people but added that dual registry was becoming more acceptable. He admitted that Russian maritime law was still untested. Yes, it was frightening to have an untested mortgage, Alan said, but the sheer size of the market should encourage trying it out. The presentation triggered a whole series of responses. Struan Robertson commented that after BP terms for doing business in Russia would have to be attractive. Alan commented that the amounts of money were so huge that business would flow into Russia. It's bigger than Saudi Arabia but they do need support services. Jim Davis asked if Russian ships were still over crewed. Not now, said Alan, they are privately owned and competing on a cost basis. Jim asked where the equity / private funding was to come from. Alan replied that a lot of equity was being generated in Russia itself including companies comprising one captain, one engineer and one shareholder at around \$2 / 3 million. As people see it can be done more people will come in, he added.

Richard Greiner asked where this new fleet would be built. Alan said that Russia would like it to be in Russia although some yards were medieval, but it could just as easily be Korea, China or Finland. Some equipment may be obsolete, Alan added, but the engineers are top quality.

What is the future of finance in Russia, asked Richard Greiner? With regard to the Russian banks - they are too small to compete, Alan replied, but the EBRD will support the right elements.

Climatic conditions were then discussed including global warming, the Northern passage and even the possible implications of the disappearance of the ice.

Jim Davis thanked host Simon Stonehouse and Alan McCarthy for a superbly researched presentation. Still a little bit of an enigma, said Jim, but less so now.

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### **IMIF Buffet Luncheon Thursday 24 July 2008**

<b>Host:</b>	Neil Harnby, Partner, Linklaters
<b>Speakers:</b>	David Cockroft, General Secretary The International Transport Workers' Federation
<b>Subject:</b>	An Update on the Latest Activities and Concerns of the ITF and David Cockroft's General Views of the Role of Trade Unions in our Changing "Globalised" World

This particular luncheon was always going to be a festive occasion. The host member, the mighty Linklaters, had been tipped off that IMIF Chairman Jim Davis had comfortably passed his latest milestone, ie his eightieth birthday, just a few days before on 20 July.

Drinks and an exchange of market views in Linklaters ante-room gave no hint of what lay behind the dining-room doors.

When all had assembled and been invited by Neil Harnby to enter the doors were opened to reveal not only the lunch tables but also two side tables, festooned with balloons bearing birthday cakes with suitably photogenic images of the IMIF Chairman and, across the room a large glittering balloon with an eight and a zero on it which hovered above the birthday boy's chair. A splendid luncheon had been provided and delegates were soon partaking thereof!

At a particular moment IMIF member Tony Nunn OBE and former Olympic medallist, called the room to order. He had been invited, he said, with not very much notice beforehand, he added, to propose a toast to the Chairman on his 80th birthday. Being a more or less exact contemporary of Jim Davis in their respective shipping careers he was able to give an informed assessment of Chairman Jim and his role in shipping. The toast was drunk, the photogenic cakes had been cut and eaten and Jim Davis invited guest speaker David Cockroft, General Secretary of the International Transport Workers' Federation, ITF, to start his presentation.

David had other ideas. Being so close to the birthday balloon he first of all invited all present to sing their appreciation of Jim Davis in a lively rendition of Happy Birthday. Then he took to the podium.

His brief was to relate the role of trade unions in a globalised world. Speaking without notes he pointed out that trade unions now were not local but truly global, working on behalf of the world's seafarers with the aim of improving the standards of all involved in shipping. He declared that ITF is now accepted as part of the furniture of the shipping industry. Thanks to Jim workers are not now seen as a problem but as part of the solution.

Some have stated that ITF is mainly Europe related or perhaps USA related. That is just not true, David emphasised. ITF is 'global'! He quoted current actions in Durban and elsewhere in conjunction with the IMO and the ILO. He acknowledged that there were still differences with the Chinese but they were being worked on. ITF genuinely represents the entire shipping industry in seeking 'global' solutions, he said. ITF policy today can claim 95% agreement. ITF is happy to listen to YOU, David said looking around at the delegates. At this moment with overcapacity and containers nose-diving Jim and I have been saying the same thing – there is too much building – there are older and older ships – I suspect that difficult times are ahead.

Referring to Adriatic Tankers – and abandoned seafarers all over the world David talked of the work being undertaken over the past few years and the adoption by the ILO of the Maritime Labour Convention. It puts seafarers on the same standing as SOLAS and MARPOL, David said and for the

first time in the history of the ILO it will be an enforceable convention. Referring to Port State Control he added that it would be a great day when all flags recognise the convention. Every ship will have to carry a maritime labour certificate.

He cast his net to take in a fishing convention. In fishing, he pointed out, too often Flags are used to evade national quotas. ITF is working with ISF, Intercargo, Intertanko and BIMCO. Fewer and fewer people want to go to sea and it is not all about wages. It is also about shore leave, family communications, the chance to stretch one's legs ashore and emails. ITF also co-operates with the Ports industry.

David spoke of the successful united front put up by trade unionists in various African countries to prevent the landing of a cargo of small arms destined for Robert Mugabe's regime in Zimbabwe. He referred to the plight of the Tehran Bus worker Osanloo Mansour, supposedly imprisoned for treasonable acts against the State but in reality for trying to run a free trade union in Iran, reminding delegates that ITF is of course involved in all transport modes. There were further examples of ITF's negotiations in Guatemala and the Middle East where ITF was negotiating with both Israeli and Palestinian workers.

Questions from the delegates were wide-ranging. The dangerous and reprehensible practice of overloading containers or under-declaring the true weight was strongly condemned. The vetting of the nationality of seafarer supplying nations was discussed. If Filipino crews were considered too expensive then perhaps Ukrainian crews might be brought in. But what if they were considered too expensive? Then Georgians might be brought in – but as they were not properly trained this should be prevented – a ship should not be put in their control.

Flags of Convenience entered the debate. "How many Liberian nationals are there serving on Liberian-flagged ships?" David asked. It is a question he has asked many times before. The FOC arguments were all aired thoroughly.

Ed Harris was sure that an Adriatic Tanker situation would happen again. David said that it was all down to the responsibility of the Flag States. Due to a lot of strong work ITF has been doing this may improve David assured the delegates.

"Do you happen to know the name of the very first ship to fly a flag of convenience?" asked Anthony Julien of International Registries (UK) Ltd. (He is also Deputy Commissioner of Maritime Affairs, London Office of the Maritime Administration of the Republic of the Marshall Islands – one of the so-called FOCs.) David smilingly admitted that he could not recall the name. "It was 'World Peace', a Niarchos ship implementation in the Second World War" Anthony informed him. "Clearly there can be a legitimate reason for changing flag" David responded, " but using it solely to avoid or to cut proper running costs of a vessel is not one that I regard as legitimate."

Jim Davis brought the luncheon to an end. He thanked David Cockroft. "It is a privilege to hear you,"

he said. He thanked the delegates. "It was very kind of you to come," he said "and as for the cake – well thank you for eating me!" He thanked Neil Harnby for Linklaters generosity not only as IMIF hosts but for making his birthday luncheon so enjoyable.

## Press Cuttings

**SHIPPING**  
INTERNATIONAL MONTHLY REVIEW

JULY 2008

## Animal fats - and elephant grass!



William King

At the IMIF luncheon on 10th June 2008 hosted by Paul Hinton of Bilbrough & Co the delegates were provided with a double treat - an exotic Bangladeshi luncheon before the presentation and a guest speaker who, unusually for IMIF, was one of shipping's customers rather than a maritime service provider. William King, a Past Master of the Company of World Traders (and a former military parachutist) was there to discuss the supervision of the loading and unloading of oils and fats for ships carrying cargoes on FOSFA contract terms.

William had worked first in the Square Mile for Lonhro and then for various Arbitral Bodies including FOSFA. He learned his supervisory skills with the Sugar Association of London before moving to the oils and fats trade. In the commodity trades when things go wrong it is the cargo superintendent who has to detect any mishap, ensure that the correct quantities are loaded and that proper samples are taken for analysis from shore side storage, pipelines, road wagons, rail cars or ship's holds. *"As for containers"* he added, *"I have seen it all - no doors, no roofs - and no cargoes!!"*

The superintendent not only inspects the cargo but also has to verify that the ship's hold meets the requirements of the terms of the deal. "Is the Tank, or the Hold, or the Space, or the Container 'Fit for Purpose'?" This includes checking the quality and type of tank coatings, the quality of application, and the testing and examination of heating coils. One problem with Parcel Tankers, he explained, was that coatings can break down and elements of the previous cargo can go behind the coating - and come out in the next cargo.

William went on to talk about the South East Asian Biodiesel Market, and biofuel production in Malaysia, Indonesia, Rotterdam and the Philippines. This was followed by the GAFTA contracts for rubbish, that is Biomass (in bulk) i.e. the biodegradable fraction of products, waste and residues from agriculture as well as the biodegradable fraction of industrial and municipal waste to be used for power under EU regulations. As William is the recently elected Mayor of Haslemere he has become involved in the checking of the most up to date waste facilities. "It may be rubbish to you,

sir, but it is bread and butter to me!"

A slide appeared on the screen. A farmer was standing in front of some extremely tall vegetation - 'Elephant Grass'. It grows to a height of 12 feet, is cut into bales and transported by road to be used as fuel at the local power station. This farmer has 1200 acres under plantation - and he is located in Norfolk in the UK. Presumably there are road hazard signs warning to watch out for rogue elephants in the area!



William then turned again to the essential subject of tank coatings and their maintenance and inspection. He pointed out that stainless steel tanks do not absorb their cargoes during a voyage and that Biofuel and mineral fuel blends are difficult

cargoes and that more and more Type 2 Chemical Tankers are being used for ocean transport of these commodities. Concerning Containers he gave a little tip - Smell is often an indicator of a container that it is not fit for purpose.

The questions and answers and comments from the delegates were lively and wide-ranging. Green governments giving incentives to grow green biofuels, its effect on world food prices, incinerators and landfill, CO2, the value of the oil still in the ground, the political decision to keep it there over-riding the economic realities, the comment that hydrogen cars are just as greedy as conventional cars - and all the time in the background the screen filled with elephant grass!



31 July 2008

Happy birthday, Jim

TO BE honest, David Cockroft got an easy tide last week. The general secretary of the International Transport Workers Federation (ITF) was the guest speaker at one of the regular London lunches organised by the International Marine Industries Forum, headed by the affable Jim Davis.

It was scheduled a few days after Jim's 80th birthday so, when Jim introduced David as "my friend" and David led guests in a chorus of 'Happy Birthday', it was clearly not a time for tough questions. David played both good cop and bad cop in equal measure and the obligatory challenge to the ITF's Flag of Convenience campaign was not going to move this experienced campaigner.



The Captain and fellow guests toasted Jim, ate his effigy printed on a birthday cake and recalled his 'scrap and build' mantra to prevent overcapacity. "Passing 80 is just something you do once in a while," he said. Happy birthday, Jim.

## An enigma with enormous potential!

Another IMIF buffet luncheon - this one for the first time at the offices of Brit Insurance in



Simon Stonehouse, Jim Davis and Alan McCarthy

Bishopsgate, City of London. Hosted In v Simon Storehouse, Chairman, London Joint Hull Committee the IMIF delegates had arrived to listen to Alan McCarthy of Eurofin International Ltd who promised to shed a little light on Russian & FSU Shipping. *'It is a riddle wrapped up in a mystery inside an enigma'* Alan said quoting Winston Churchill's famous

reference to Russia. By the end of the presentation it had been transformed according to IMIF Chairman Jim Davis into 'still a little bit of an enigma' but thanks to Alan's explanations there was also obvious potential in the Russian & FSU shipping markets. Alan referred to Russia's long and proud maritime history with a well educated and highly trained workforce and economic growth rates higher than OECD averages. 'Most people can name 3 Russian, FSU companies' Alan said. He went on to identify 438 more, 255 with one ship, 121 with 2-4 ships, 33 with 5-9 ships and 29 with more than 10 ships. Exploitation of vast oil, gas and mineral reserves for export was already leading to increased imports of high value finished goods, cars, fridges, tv sets by container ship and exotic fruits and foods by reefer. Soon Russia will be Europe's largest importer of chilled and frozen food. Development of ports, terminals and an adequate road system from St. Petersburg to the Baltic all heralded a revolution in transport logistics. An initial review of the Russian Register showed more than 35,000 units, too for a quick analysis so Alan narrowed the the field to a significant 1,544 identified units The fleet age profile was crucial. 24% of the fleet is aged up to 15 years - but - at least a thousand ships are scheduled for replacement within 5 years. Alan focused on the ageing fleet with genuine growth potential and the huge funding requirements and higher than average spreads. He discussed the Russian flag, still anathema to some people, he referred to the increasing acceptance of dual registry and the problems of negotiating an untested mortgage. However the sheer size of the market should encourage the testing of it. *'Please do try to find ways to develop it'* Alan said. The resulting discussion was detailed and wide-ranging. The NW passage and global warming had its moment, as did crewing, bunker prices, the equity being generated in Russia itself as more people with access to shipping specialists saw the potential. Richard Greiner asked where the new fleet would be built. *'Russia would like it to be Russia'* Alan said *'but Korea, China and Finland were possibles'*. Not all the equipment was modern but the engineering skills of the Russians were top quality. All in all still something of an enigma but with enormous financial potential

for those prepared to give it a try.

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**FAIRPLAY 12 June 2008**

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SIR: I read with interest your Look Out article 'Enter the STX whopper' (*Fairplay*, 5 June).

I agree that it might be a little fanciful for STX Korea to be preparing a design for a mighty 22,000 teu box ship when, so far, there does not exist an engine capable of driving such a vessel on a single screw at 26 knots or more.

However, I think that the proposal anyway misses the decisive point.

I have for decades argued that sea transport, particularly of containers, should be looked upon as a pipeline-and not a series of high-speed projectiles.

The ideal and hugely energy-saving type of service would be a regular stream of medium-speed, very large container vessels.

I myself argued the high-speed theme back in the 1950s, to impress our P&O shippers and importers, particularly on the Far East run.

We then watched the goods - which we had at vast cost brought across the oceans - standing for days, even weeks, in PLA sheds before delivery was achieved.

And in any case, the alleged savings in financing costs that were produced by fast transit times were pretty questionable anyway - and achieved by very big real costs, not just in fuel but by the reduced carrying capacity of the vessels, with their required slim lines.

"Big, fat and slow" was the idea of the late but revered Malcom McLean, the great innovator who introduced oceangoing containers. I still think the old fellow was right. Just think of the savings per container that could be achieved if shippers, container ship and receivers in particular accepted the pipeline principle

. Yours etc

Jim Davis, CBE K(DK) Chairman

International Maritime Industries Forum

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## Lloyd's List

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Michael Grey - VIEWPOINTS

### **Navigating shipping's generation gap**

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I HAD lunch with Jim Davis the other day. A week before, the Chairman of the International Maritime Industries Forum had celebrated his 80th birthday, and one doesn't pass up an invitation to spend a couple of cheery hours with somebody whose experience crosses several generations.

I mean, just how many 80 year olds do you know who are still active full-time in the shipping industry. He's there each day in the IMIF office in the Baltic Exchange, surrounded by young folk burbling on about FFA's and other curious financial devices, which would have seemed like something dreamed up by necromancers and astrologers when Jim arrived in P&O as a management trainee all those years ago. Then that great company had some 400 ships scattered

across what was still confidently referred to the 'Empire'.

The huge value of Jim Davis, although there will be no more nice lunches and he will not thank me for saying so, is his sheer longevity, in a cyclical industry where the same things tend to come around every generation or so.

When some youngish Baltic broker is waxing lyrical about the stratospheric level of rates, in the same tone of voice that Gordon Brown used to use when he suggested that "boom and bust" could be designated redundant terms, I just hope that he might exchange a word or two with the IMIF chairman in the lift, or the Baltic coffee room.

He might learn a thing or two. Jim actually remembers life in the 50s, and 60s, and 70s, on until today, and the sort of climate there was to be found in the shipping industry of that era. He can recall the post-war rebuilding boom, for goodness sake, when P&O directors were dispatched to the North to buy ships which really were technically redundant, from shipyards which were terminally inefficient.

Every blooming ship different, because the extraordinary lessons of series built ships like the Liberty, or Victory had just failed to register with either the buyer or the seller of new tonnage.

Jim was part of a P&O which was still running cargo-passenger ships to the Dominions, socking great liners with enormous holds, which would spend weeks, if not months, on the New Zealand, or Australian coasts, waiting for the wool sales, or for the freezing works to have accumulated sufficient butter for their lower holds.

The New Zealand Shipping Co 'Rangi' boats were magnificent, and I always envied them the excitement of boatloads of nubile Kiwi women passengers, but they lost money hand over fist, with their chief stewards owning large businesses in New Zealand, which they would assiduously work at while the ships were lying alongside, passengerless and costing NZS a bomb.

Jim would probably point out that the absolute justification for containerisation came from the length of voyage and sheer unproductivity of these beautiful ships. And we all know now that this is a completely accurate analysis.

But you need some sort of bridge between the generations, if any of the wisdom of the past is ever to be transmitted for the benefit of the future. What on earth did we learn from the 1970s, which began with such high hopes, with governments helping to finance vast fleets of huge ships, and shipyards being constructed out of green fields to extrude VLCCs on three shifts of fit, young Japanese workers?

Jim will tell you that in such an era, you learned something about the influence of events (the quadrupling of oil prices and the opening and shutting of the odd canal) and the immutability and unpredictability of the freight cycles. I wonder if this sort of appreciation is registering with the present generation, as it lives for the day with extraordinary relish?

Perhaps because this unpredictability of the markets has been his predominant message for so long, the IMIF chairman has acquired a reputation as a sort of modern day Cassandra.

It is not entirely justified as he, has always, as long as I have known him, preached caution and care, rather than doom. He cannot, for instance, understand containership owners intent on buying still more huge ships at pretty hefty prices. Why on earth not sit on our hands, keep the money in the bank and anticipate some distress sales of some very choice morsels once rates have plummeted? It's what clever Greeks did once, with aplomb.

I thought of the industry Jim joined, compared to what it has become today. It's when you really appreciate what is understood by "generational change".

I had an uncle who was a master in British India Steam Navigation Co, about the time Jim was sent out to the East as a 'student prince', which is what they used to call these clever young chaps who had P&O directors' batons in their haversacks.

I have all his photo albums, stretching back to when my uncle had sailed off in 1915 into the first world war, with dazzle painted troopships and a torpedo in the side on his very first trip.

This was an even earlier generation, and my uncle had sailed with people with square rig tickets, and looked upon a four year tour of duty in the eastern BI fleet as perfectly routine, indeed as did he.

I particularly treasure pictures taken on the long years when he was a chief officer on the pre-war 'slow gulf mail', where the decks of the ship are shown awash with camels, loaded out of dhows off Dubai Creek, seen as a collection of low buildings on the horizon, rather than the extraordinary city on the sea which it has become.

I often think of the generation gaps, as illustrated by long serving people like Jim, in technical terms. People my uncle sailed with were the bridge between several thousand years of commercial sail, and mechanically propelled ships.

I suppose that my own generation was the last to have this link with at least the materials with which our sailing ship predecessors operated. We were trained to sew canvas, to splice and do interesting things with rope and line and cordage. "Worm and parcel with the lay — turn and serve the other way," was some almost meaningless key to successful ropework that has stayed in the memory.

We did things with wire and wood, building great structures of 3"x 3" and 6" x 1" dunnage. We were in and out of boats, and in theory, even if we never had to do it in anger, could react to all sorts of emergencies with 'three stout spars' or send up a telescopic topmast or rig a jury rudder. We navigated by dead reckoning, and sounding, radio direction finding and the craft of the celestial navigator.

Does the modern mariner get the same thrill out of seeing Pitcairn rising out of the Pacific, one point on the port bow, ten days after Cape Palliser in the Cook Strait dipped below the horizon? I'd like to think he does, but satellites do seem so quick and easy, compared to a

sextant and those whole bookfuls of sight reductions, which, for some ridiculous reason, I still retain in a box in my attic.

But our shipping was of a human scale and I have the utmost admiration for those people of my generation who have stayed with it, and adapted to the extraordinary technical changes that have taken place in the past fifty years.

As somebody who is constantly being shamed by small grandchildren, I just marvel at friends who have competently managed to constantly update themselves to cope with modern technology. They are the real bridgers of the generations, in an industry which has seen such a multiplication of technical innovation, which has seen ships develop in their working lives from small tweendeckers to

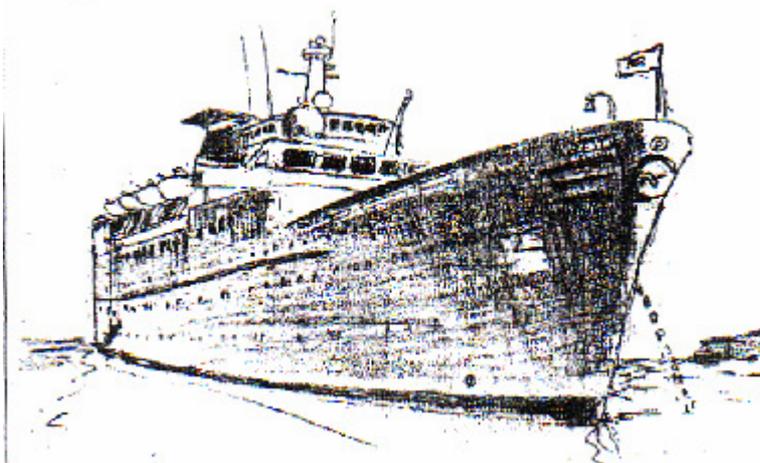


Jim Davis and his sketch of the Ocean Monarch.

12,000teu containerships.

From channel packets to 150,000 cu m LNG carriers, from the Slow Gulf Mail to cruiseships with 6000 souls aboard. From the general cargoships to vessels offering extraordinary specialisation. From a Baltic timecharter to a complex deal of industrial shipping, which will see a volume the size of the Isle of Wight hauled from Brazil to Rotterdam.

People who bridge generations, like Jim, are living history, although he would be even more angry to hear himself so described. We need to listen to them more.



Ships can also transcend generations, and I was delighted to learn about the successful withdrawal from the US Reserve Fleet of "positively the last available Liberty ship" which has been gifted to Greece and is now being prepared for her trans-Atlantic journey home.

It has taken a bit of time, but because they will have one of their own, the huge importance of this standard, war-built ship will be handed down to a new generation of Greeks.

They will be able to walk her decks and marvel at the simplicity of effective design, and the contribution of that ship to freedom. Rather sadly, our lot, who really ought to appreciate the same historical truths, will be restricted to looking at models and reading books. It is a pity, this great generational gap which has been left. It is up to people like Jim to fill it. He left me with one of his own little drawings of the veteran cruiseship Ocean Monarch, which he sketched on his recent Greek Holiday. I sailed in her when I was an apprentice, and years later, a second mate when she was one of Port Line's mighty meat boats. There is a generational gap leaped, in steel, for our pleasure, on paper.