Newsletter September 2004

September 2004

It has certainly been a remarkable year thus far for both shipowners and shipyards. But amid all the market euphoria there has arrived - as so often - a brand new element "the Oil Crisis Mark IV'. This crisis is rather different from previous ones in that it is occasioned by a perceived world shortage of oil itself. and inability of the OPEC producers to increase production, the situation not being helped by the Middle East/terrorism crisis and near mayhem in Russian oil fields. Concurrently China's bounding economy has brought about a demand for 6.6bn barrels per day and India's expansion a demand for 2bn barrels per day. It is hard to forecast where all this is taking us and what effect it will have on consumer confidence which at this date is exemplified by a record 900,000 teu, container traffic Asia-US in May. Shipyards are fully booked, many unable to take fresh orders before 2007. 500 Containerships were ordered in 2003 and so far in 2004 a further 250.

I thought I had seen most phenomena in shipping's wondrous cycles but this year is virtually unique in terms of rates and the new style dangers that we now face.

I asked an old friend Professor Tim Congdon CBE - one of the economic "Wise Men" advisers to Government - to speak at one of our recent Buffet Lunches. At first he mildly protested, saying that he professed little or no knowledge of shipping. To that I replied by saying it was precisely for that reason that I wanted him to speak. The shipping market is a reflection of the world markets in commodities of all sorts. Incidentally as reported elsewhere he was remarkably optimistic of the short to medium term... though prudently hedging his bets by saying that political factors/terrorism/failure to solve the WTO dilemmas regarding rich and developing nations etc could jolt any firm prediction.

I must close by a serious appeal to our members. A new approach to the identity of IMIF has resulted in our addressing a diverse collection of the factors affecting the maritime industries. We are unique in both our membership and our eclectic areas of interest... But we are struggling to survive. Our two staff members are part time though their timings are staggered to ensure daily coverage. Our total income is under £70,000 per annum. How would any of your organisations survive on this? I do not want to increase the annual fee, but our income has been bit by, for instance, the merging of some of our loyal bank members which in each case means the loss of one subscription.

Recruiting new members is the obvious solution... but any other ideas would be gratefully accepted by me.

Jim Davis

IMIF new members

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Mr. Paul Over		**Pacific Basin (UK) Ltd**

Mr. Michael R Telford		**W K Webster & Co Ltd**

Change of representative:

* **BP Shipping**

Nigel Palmer has now retired as Director, Government & Industry, BP, after nearly 37 years and he is handing the IMIF baton on to Dave Williamson, Director of Fleet Operations, BP. We look forward to meeting Dave in due course and welcome him to IMIF. Nigel comments I have thoroughly enjoyed my time as the BP input to the International Maritime Industries Forum and enjoyed both the cut and the thrust of debate and Jim Davis's wise advice to the industry (and also his jokes). Many thanks for your efforts in organising events."

REPORTS

IMIF Buffet Luncheon - Thursday 18 March 2004 at 12.30 - 14.30 hrs

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Venue	**:**	**c/o Charles Taylor & Co Ltd, 1 St Katherine's Way, London E1**
Hosted	**:**	**The Standard SS Owners' P&I Association / Alistair Groom**
Speakers	**:**	**Andrew Craig-Bennett, Deputy Gen. Manager, COSCO UK Ltd**
Subject	**:**	**"The Turn of the Screw - a 21st century P&I tale"**

Andrew Craig-Bennett is renowned for suggesting new ways of approaching some well-established procedures. Thought provoking and indeed provocative lateral thinking is part of his stock-in-trade and this presentation was to be no exception. Speaking from a room with scenic views over St Katherine's Dock deep within one of the major P&I Clubs Andrew proceeded to explain just what he thought was so wrong with the present P&I world and his (drastic?) recommendations for improving it. As you will see from the attendance list there were some noticeable 'heavyweights' from this sector of the maritime industries around the table and the ensuing debate, both for and against Andrew's suggestions, was quite often forcible, fast - and furious. For publication purposes, rather than attempt to reproduce the heat of the debate, which isn't realistically possible in print, we submit below the full text of Andrew's presentation - followed by a contrary point of view offered by David

Southwood of Heath Lambert Marine and you, the reader, will be able to draw your own conclusions.

Andrew Craig-Bennett's presentation: "The Turn of the Screw" - a 21st century P&I tale

I should think that the people who do run the P&I Clubs must be quite tired of people who do not do so offering them advice on how to go about their business!

Bernard Shaw's little epigram about schoolteachers, "Those who can, do - those who cannot, teach!" seems appropriate, given the incredibly high barriers to entry into the Clubs' business. Those who are running Clubs do all right at the job in hand, those of us who don't run Clubs for our living are exceedingly prone to tell those who do how to go about it.

I am accordingly grateful to our hosts today, Charles Taylor Consulting, not only for having employed me, on two separate occasions, in past years, something that some people might term "the triumph of hope over experience" but also for their willingness to submit to yet another lecture on the theme of what the P&I Clubs are getting wrong and what they ought to be doing about it!

I should also make it quite clear that the views in this paper are my own, and not those of my employers, though I will just say that the rumour that we control the China P&I Club, or that it is in some sense a department of ours, is wholly incorrect.

The Clubs do indeed operate in a very stable environment, whilst those of us who run ships for a living find the ebb and flow of our fortunes more erratic. This stability is not accidental, of course. The London Group Agreement, which formed the basis of what is now the International Group Agreement has always seemed to me to have been modelled on that other great stabilising factor, the Liner Conferences.

It was easy for the London Group Clubs to explain to their Boards of ship owners, comprised, as they were in those days, of ship owners, mainly British, who were members of Conference agreements, if they ran liner ships, and who were involved in one or other of the numerous "tramp ship stabilisation schemes" of those days if they ran tramps, why it was that the Group would prove to be a Good Thing and to get their Members to accept what might else have appeared to them, as it has appeared to so many others since, as an agreement in restraint of trade.

Indeed, if I am right in dating the London Agreement to the early 1920s, it was initiated just a decade or so after the celebrated report of the Royal Commission on Shipping Rings of 1911, which concluded, having heard evidence from shippers, that the Conferences were indeed a Good Thing.

Incidentally it has often struck me that Japan, a nation which lives by exporting manufactures, just as Britain once did, is the last place remaining where you will still find exporters singing the praises of Liner Conferences, whereas in Europe we have Shippers Councils, composed largely of people who don't actually ship very much, running a wrecking campaign of almost Trotskyite intensity in its single-minded devotion to ideology in the face of common sense, bending the ear of Directorate General IV of the Commission at every opportunity.

Now, having said that the Clubs operate, deservedly, in a very stable environment, one which is the envy of us all, and I say they do so deservedly because they put a lot of work into maintaining that stability, we can none the less perceive one or two handkerchief sized clouds on the horizon, particularly the horizon over Brussels.

As any ship manager will tell you, once you openly say how much money you want to run your business with, people will start trying to haggle you down.

I have to say that I am guilty of this, though I have worked for a ship management company myself, Just the other day I was looking at a budget proposal from a ship management company whom I know very well and instead of directing my gaze to where I knew I should be looking - stores, spares, paint, crew travel and overlaps and above all luboil, 1 found myself looking at the management fee and wishing it were a little lower. This was really silly because I know very well that the fee quoted by any ship manager is always below the real cost of running the business.

It's rather like the way in which the accounts of a public corporation are presented; those of us who are neither share analysts norchartered accountants are far too inclinedto look at the surface of the numbers, so to speak, rather than to apply our minds to what is really going on. If there is a nice fat number staring out at you called "management fee" you pay attention to that number first.

Now, the founder of the house of Mitsui & Co, when he took the unheard-of decision to abandon the life of a samurai in Renaissance Japan to become a sake brewer and banker, directed his heirs and successors to "always show respect to the honourable men in power", and I do believe that this is a very good rule, so I shall not suggest that the honourable men in power in Brussels were at all misguided when they called upon our friends who run the P&I Clubs to divulge the cost of running their Clubs. Let us all be as transparent as possible, and ask not the reason why.

However, the fact is that these numbers are now published, and whilst it is almost impossible to compare apples with apples for example, how do we compare a Club which makes a point of handling its claims "in house", with its own staff, with a Club that makes heavy use of solicitors, outside claims handlers and consultant surveyors - the fact is that these numbers do get looked at and remarked on.

I called this paper "The Turn of the Screw" because I fancy the screw is going to get turned. It is, in every comparable case.

Many people in the Clubs will not agree with me, here. They will say that the management fee is not something that their Members are much bothered about at renewal time - that their Members are far more interested in the total number than in one or two percentage points of management fee.

To which I will say "Wait and see!" Once the number is out there it is an Aunt Sally for every broker to have a go at, and they will.

Having said that, let me come to the second burden of my song. I don't think that claims handling, in the Clubs, is particularly good. I can say this quite bluntly because I spent some months in the office of a friend, the late Freddie Clemo, who acted forall the Clubs,and I was genuinely shocked at the ineptitudeof claims handlers in every single Club in the Group. Ignorance, arrogance, idleness, grandstanding and sheer stupidity were evident on all sides, and since that experience, in 1996, I have spoken to several other Correspondents, who confirmed my impression. They were amused that I thought it might be any different!

Now, there is undoubtedly a Victor Meldrew element to my complaints. I was once a young, keen, claims executive, in the early 1980s, and when I look back to what I remember of the cases that I handled, or thought I was handling, I cringe inwardly. I was nothing like as good as I thought I was. Fortunately, claims handling is rather like driving a car - it makes us all want to be a bit more "macho" than we really are and usually there is noone to notice when we get things a bit wrong. You can drive very badly for years without stuffing your car into a hedge and you can handle claims badly for decades and think you are some sort of hero.

Basking in the adulation of a ship owner's or a charterer's claims person whose life you have just made a little easier with the application of copious amounts of Other People's Money is exceedingly bad for the soul. I am in rather a good position to know that!

The fact is that I cannot remember when I was last impressed by a P&I Club's handling of a claim. And nor can anyone else that I speak to.

What might be done about this? I am very much obliged to Dimitris Lyras, who combines the occupations of shipowning and information technology rather comfortably, for having taught me something of the use of the term "scaleable". This is a term much loved of business process consultants, and what it means, as I understand it, is "capable of being replicated on a larger scale".

Now, quite obviously, the skills involved in answering the phone in a Bank branch are "scaleable" - the calls that come into a bank branch can be handled, on a far larger scale, in a call centre, and one of Dimitris' US businesses does indeed supply a CBT programme that will enable you to train staff to do this cheaply and effectively.

We can see at once that the skills, of the traditional ship owner are not scaleable - there is no way to replicate the judgement of an intelligent, honest, hard working and experienced superintendent engineer, or buyer, or crew manager, or indeed chartering manner, who knows how to get the final five per cent out of his people.

But the skills of the ship manager are perfectly scaleable - that is just what ship managers do. So - what's the difference?

It is that the ship manager centralises and standardises everything, then replicates it, whereas the traditional owner does just the opposite - he decentralises and passes all decisions as far down the chain of command as he can.

Both methods work. Insofar as I am any judge of these matters, I prefer the traditional approach in small fleets - say, up to 20 ships. Beyond that point, a more formal system is needed, and although it is somewhat less efficient, it does permit savings due to scale, in bulk procurement and so on.

You can see what I am driving at. Are the skills of the P&I Club claims handler scaleable? If they are not, we are pretty much stuck with the system we have now, in which expensive people sit in expensive offices in expensive European cities, doing their job in a traditional way and consuming large amounts of management fee for nothing very wonderful by way of result. I mean no disrespect to individual claims handlers when I say this - the results, across all the Clubs, are just not that wonderful, and they are achieved by expensive means.

But if the skills of the claims handler can be systematised and rendered scaleable, the whole business of running a P&I Club can be done quite differently, and very much more economically.

What evidence, one way or the other, do we find in the Clubs themselves?

Actually, looking at Club operations through the eyes of a management consultant, so to speak, the evidence is rather clear. Senior Club claims people seem to behave in a wa**y** which suggests that they think that claims handling is a scaleable set of skills. They are very much inclined to centralise and to standardise. They are disinclined to trust their staff to get on with it. There has been a perceptible change in the attitude of the Clubs, here, over the past 30 years or so. There was formerly a tendency to decentralise, which people of my generation benefited from quite enormously. "Join a Club and see the World" was hardly an exaggeration - we were encouraged to act on our own initiatives, and given ample authority.

Today the pendulum has swung quite hard the other way, with senior claims directors showing signs of control freakery. This may be not unconnected with an awareness of the cost of the claims handling operation, of course.

It is quite possible that this control freakery is causative of the apparent decline in the quality of claims handling. But it is equally possible that the control freakery is needed because of the poor quality of the people.

But in any case, the evidence from the way in which the Clubs do their claims business is that the techniques are scaleable.

Beyond claims themselves, there is the entire paper trail of a P&I Club. The keeping of records, the accounting, the generation of Certificates of Entry and so on. All done in very expensive offices in European capital cities. When I suggested to an old friend who is a senior manager of a very big Club that this operation might be done elsewhere, he was horrified. He felt that there was a huge benefit in the Club underwriters being close to their documentation teams. Mind you, he also did not think that Members noticed the management fee.

I think he is wrong, for at least two reasons. First, his organisation is one of the Club Managers who have, like our hosts today (whom I am not speaking of, here) chosen to manage other types of business as well as P&I Clubs. I venture to suggest that this spreading of the business base may perhapsbe not unconnected with the spreading of overhead?

Second, I think that the allegation of "fatcattery", so often levelled at the Club Managers, is best seen, not as a statement which can be either proved or disproved, but as a symptom of a widespread jealousy of the staff who work in the Clubs by others in shipping who do not enjoy such security in their working lives. As such, the question of whether it is true or not is all but irrelevant what matters is to demonstrate that it is unjustified.

1 also think he is wrong about the paper chain. If Cathay Pacific, an airline which is renowned for the excellence of its operation, has located its central accounting function in Guangdong, remote from its operational HQ in Hong Kong, for quite a few years now, surely the same can be done with the far simpler paper trail of a P&I Club?

And once we have done that, surely we can move out the claims handling as well, to call centre operations. As I have remarked, the indications are that this is indeed a scaleable activity, certainly so far as the routine claims are concerned, and quite possibly so far as all claim are concerned. If, as I am sure many of us do, you glance at the website of **Spinnaker Consulting** you find constant advertisements for Club claims handlers. This shows that there is a "churn" going on - that job satisfaction is not that high.

What of "personal contact with the Member"?

Well, what about it? This is a P&I Club myth, in at least three respects.

First, those Club Members who have the most contact with the claims staff are by definition the ones who have the most claims - the worst Members! One is often struck by the peculiar notions of merchant shipping entertained by many Club people - the consequence of associating too often with the worst in the business, not the best. Anyone who has been involved in practical chartering and who glances at the Law Reports is invariably staggered at the low quality of the operations that gave rise to cases that were litigated as far as the Courts - supported, invariably, by FDD Club funds.

Second, how important is that personal contact, anyway? I suggest - not very. If the Clubs distrust their claims staff, as it increasingly seems that they do, then there is no benefit whatever in giving them contact with the Members, who in any case are grown ups.

Thirdly, and far more important, what of those Members who live beyond lunching distance, who speak a different language and who therefore cannot have "personal contact" with their Club claims handlers? What these people want is an efficient service something that they often are better able to judge of than some people in this fair city perhaps realise. It does not really matter to them where the voice on the other end of the telephone is. "Personal contact" with the Club Underwriter may be of value, once a year, but with the claims handler? Frankly, I doubt it.

So, I venture to suggest that we can readily prune Club operations down to a far smaller size.

All that a Club manager needs is a Chief Executive, to do the speechmaking and ribbon cutting and so on, and an Underwriting team. Five, maybe ten, people at the most. The claims handling and the documentation can be outsourced to somewhere far cheaper, and if it is outsourced in several directions at once a language barrier can be surmounted quite painlessly in the process. All to the good.

After all, if you are already operating on the basis that the claims handling process is scaleable and is one that requires formal procedures, then you may as well employ people who will cost you one fifth of what equivalent people will cost you in London, and who will do the job no worse. If a call centre m Bombay can guide me through repairing my computer at the end of a phone then a call centre in Bombay can guide me through a P&I claim at the end of a phone.

Finally, there is absolutely no reason, beyond mere vanity, for two or three Clubs not to combine in outsourcing their claim and documentation functions. Two heads are commonly better than one where oversight is required and the use of an off the shelf CRM system will ensure that no Member need know that they are dealing with the Wessex Ship Owner's Club as well as with the Mercian Steamship Club. The economies of scale can be taken.

The technology is here, and the market is pointing firmly in this direction. Why not?

David Southwood's response:

On behalf of those who attended the Standard P&I Club's buffet lunch I can say we thoroughly enjoyed Andrew Craig-Bennett's provocative paper regarding the operation of P&I Clubs. As always, Andrew was very amusing and sought to advocate a complete overhaul of the way P&I clubs are organised. When he wrote his paper I doubt very much if he expected to leave the room without being challenged by many of those around the table. As a marine insurance broker and a former P&I Underwriter I tried to catch the eye of our illustrious Chairman in order to give some response. Sadly, thinking, and probably quite rightly, that my views were of little value compared to those of other more important personages, he passed me by. (Not true! JGD) Now, after the summer holidays, our Secretary has invited me to make a comment. It is amazing that after a good lunch and a couple of glasses of wine one is fired up to make a robust challenge but this becomes more difficult writing at one's desk early in the day several weeks later.

The theme of Andrew's argument is that P&I Clubs provide a poor service, and perhaps they did in his day, and should consider outsourcing their claims handling service merely retaining a Chief Executive and Underwriting staff. In other words the Clubs are full of well meaning people who enjoy a good lunch but are ineffective in their work and are not cost effective. As a ship manager one supposes that Mr Craig-Bennett is constantly trying to save money for his principals whose main concern is cheapness rather than quality. As one who has known the P&I business for some 30 years I can beg to differ. P&I Club**s** by their very nature are mutual organisations intent upon providing that service which theirmembers wish and are prepared to pay for.

Apparently 95 percentof world tonnage is entered with Clubs in the International Group. In recent years there have been many attempts by other providers to set up competitive operations to the International Group. Indeed there are many companies which offer alternative cover but most are on a fixed premium basis, with modest limits and whose insured tonnage tends to be at the smaller end of the scale. It would seem that when offered alternatives most larger shipowners have stayed within the International Group structure. The conclusion reached is that the vast majority are very content with the service received.

P&I Clubs are controlled by Boards or Committees drawn from their membership. The last word resides with these members rather than the managers who organise the insurance mutual on their behalf. Marine Liability business and claims can be very complex requiring highly experienced staff to service them. Outsourcing to call centres in India may work for Personal Lines insurance and other simply structured financial service products. However, it is difficult to envisage many shipowners being satisfied with responses such as "if you have had a collision press 1" or "if you have had a crew casualty press 2". It is my experience that shipping companies have an almost daily dialogue with their P&I Club over contractual disputes and other matters and in many cases are prepared to pay slightly more premium to remain with a Club where they feel comfortable with the staff with whom they have formed a long term relationship. Shipowners may be prepared to move their Hull insurance from time to time to save premium but they rarely move entirely away from their P&I Club or Clubs.

The International Group Clubs have a worldwide network of correspondents who can give service locally at the scene of an incident. They will give an immediate response to the ship casualty in the first few hours. Most correspondents have very many years of experience in this role and do it extremely well. As for Andrew's suggestion that the staff of the P&I Club should be restricted to the Chief Executive and a small underwriting team then it is just as well that he chose another role in the shipping community. The job of the managers is primarily to provide a claims service within certain cost parameters. The underwriters of the different Clubs tend to charge very similar premiums per risk. In theory the increased competition between the P&I Clubs means that there is little variance in the up-front premium charged. The quality of a Club is reflected by the claims and advice service they offer while managing the premium fund to the greatest benefit of their members. Sometimes a P&I Club's managers will get this wrong and the members will suffer the consequence of unexpected supplementary calls or premium increases by another means. Most clubs tend to manage their affairs extremely well in this regard and have done so for over 100 years.

One of the most important tasks of Clubs is to manage claims so that the costs are kept to a minimum while co-ordinating those concerned, whether they be surveyors, lawyers, adjusters and so on, in order to get the ship back to sea speedily. In my experience the more of these tasks that are kept in-house in the Club then the better the Club is able to achieve the two objectives. This is quite the reverse of Andrew's argument.

So Andrew, I don't think there is too much wrong with the present system or the service offered by the International Group of P&I Clubs. Whoever has tried to alter the way they work has normally withdrawn, whether it be the European Community, rival P&I providers or indeed sections of the shipping community. The fact is the vast majority of shipowners like the way that P&I Clubs do their job and the proof seems to be in the pudding. Those operating 95 percent of the world's tonnage cannot be too far wrong.

David Southwood is Chairman of Heath Lambert Marine and a Deputy Chairman of IMIF

IMIF offers it warmest thank to Alistair Groom of the Standard P&I Club for the generosity shownby him in hosting a memorably splendid lunch and for so nobly accommodating what he knewmight be a less than comfortable presentation although he was of course perfectly happy to challenge Andrew's proposals once they were made. IMIF also thanks Andrew Craig-Bennett for putting together another of his thought provoking presentations. IMIF also thanks all the IMIF members who participated in debating the presentation so vigorously.

Delegates that attended:

Jim Davis CBE	Chairman IMIF
Alistair Groom	Host - Standard Steamship Owners P&I Assoc
Andrew Craig-Bennett	Speaker - Cosco Maritime (UK) Ltd
Ian Atkinson	Bank of Scotland
Graham Barnes	BankServe Insurance Services Ltd
Peter Cowling	Deputy Chairman, IMIF
Alec Crawford	Jamaica Ship Registry
Anthony Cunningharn	Fairwind Shipping Limited
Mike Dance	Jackson Parton
John Faraclas	Shipping International Monthly Review
Roger Heward	Norton Rose
Mike Hill	London P&I Club
Jeremy Hodgson	Deutsche Schiffisbank AG
Sam Ignarski	Bow Wave
Mike Porter	Informa Ltd, Lloyd's List Events
Paula Puszet	Drewry Shipping Consultants Ltd
Struan Robertson	Stephenson Harwood; Deputy Chairman, IMIF
David Southwood	Heath Lambert Marine; Deputy Chairman, IMIF
Dr Chao Wu	UK P&I Club
Ian Bouskill	Secretary, IMIF

IMIF Buffet Luncheon - Wednesday 28 April 2004 at 12.30 - 14.30 hrs

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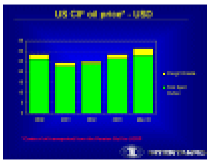
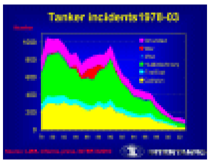
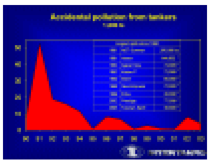
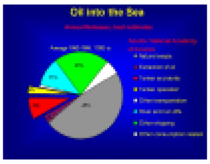
Venue	**:**	**ITF House, 49-60 Borough Road, London, SE1**
Hosted	**:**	**David Cockroft, Secretary General, Intl. Transport Workers Federation**
Speakers	**:**	**Dr Peter Swift, Managing Director, INTERTANKO**
Subject	**:**	**"Tankers today and tomorrow"**

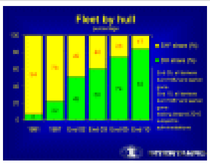
(Click on the thumbnail pictures to expand them)











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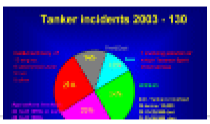
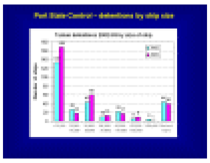
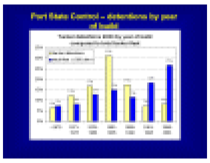
It was perhaps appropriate for the ITF to host a presentation by INTERTANKO as both host and speaker suffer from a common problem that still needs to be resolved - the fickleness and ignorance of the public at large concerning maritime matters of any sort - and the sensationalism of a tabloid press happy to promote mis-information as long as it increases newspaper sales. The world's quality of life is totally dependent on the successful transportation of oil by sea and when that happens it is taken totally for granted. Accidentally spill the tiniest percentage of oil (and as Peter Swift proved it is very tiny as a percentage of all the oil transported by sea) and the tabloid press seizes upon it as if the future existence of the planet is now at stake - and gives it maximum publicity. Conversely, the world's quality of life is also totally dependent on the successful transportation by sea of almost all the goods we use. However, as David Cockroft has said before, "Spill a little oil and the world's press is full of photos of oil-bedraggled cormorants - but let a general cargo ship sink off the tip of South Africa with the loss of all hands and it won't merit even half an inch of type-space in the popular press."

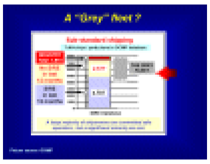
The guest speaker, INTERTANKO's Peter Swift, seemed however to be very positive about current developments. A first chart - year 2000 to date - showed freight costs as a percentage of total US CIF oil price. "Oil is being delivered at less than 2 cents per gallon - and sometimes at less than one



cent" he declared. A second chart showing tanker incidents 1978 - 2003 analysed over groundings, war, hull & machinery, fire / explosion and collision showed a peak in 1978 of more than a thousand incidents falling and rising again up to 1989 but since then the number of incidents under all categories showed a consistent decline to little more than one hundred incidents in 2003. A third graph showed accidental pollution from tankers since 1990, including ABT Summer (a spill of 260,000 ts) in 1991, Sea Empress in 1996 (72,000 ts), the much publicised and discussed Erika in 1999 (20,000 ts), Prestige in 2002 (77,000 ts) and Tasman Spirit in 2003 (30,000 ts). The fourth graph showed an analysis of the source of all oil released into the sea (average 1990 - 1999 as compiled by the National Academy of Science and this put things into a more realistic perspective. Tanker accidents accounted for 8%. Other shipping 21 %. River and run-offs and Natural Seepage together accounted for 58 %. "Of course our goal will always be NIL% said Peter Swift " but we are clearly not the major vandals the tabloids make us out to be. Naturally one understands the concerns associated with and the threats posed by oil transportation but the records show very considerable and sustained improvements for more than 10 years. "An analysis of 'Fleet by hull' followed. "Today 60% of tankers are doublehull, the single hull is being marginalized. By the end of 2005 all tankers built before 1982 and earlier will be gone." And so to a review of 2003 showing increased tanker demand with extra emphasis on quality; an industry proactive on standards and environmental measures; volatile but profitable markets and awakening investor interest."But" Peter Swift added, "there are problems, including a rampant Europe, UNCLOS challenged, the problem of regional legislation before IMO's fightback and the criminalising of seafarers."Concerning environmental issues Peter was confident that the industry was way ahead of legal requirements, including the convention on anti-foulings, the recommendation of lower levels of sulphur in fuel, and with regard to recycling INTERTANKO was keen that everyone should supply a comprehensive list of all the nasties still on board when delivering a vessel for demolition. With regard to Quality and Standards Peter was emphatic that the industry was working in close co-operation with Class on common Rules, maintenance and surveys, and with shipbuilders and Class on newbuildings. He felt that Flag States still needed to do more and he confirmed with regard to Port State Control that the tanker industry very much supported its efforts. "We do have some concerns," he added. "Better targeting would result from analysing PSC records. And there can be poor feedback. We note that Tokyo, for example, does not publish grounds for detention." Other recommendations followed although he admitted some owners could do better as well. Having looked at analyses of PSC detentions by ship size and also year of build, Peter







went on to examine sub-standard shipping. Of 7,464 ships' particulars in the OCIMF database 4,787 had undergone SIRE in the last 12 months - meaning that 2,677 had not. This was the 'Grey' fleet that needed to be looked at more closely. Finally Peter referred to the question of Conventions and Protocols. The tanker industry is committed but what about the politicians and the regulators? Concerning these Conventions and places of refuge - and reception facilities he noted that the politicians were just not ratifying the necessary conventions.---Europe is more concerned with the effect of shipping rather than being shipping nations. Europe is acting more like ports states than shipping nations."

Jim Davis referred to the Paris MOU conference on Port State Control on 6 October in the Hague and the need to shake up the ,countries' behind it. Michael Jolliffe talked of the investors. "The United States is more worried about commercial risks - 94% of our fleet is double hull to be ahead of regulations but also to deflect pressure from share investors." Ravi Mehrotra commented that volatility comes through longevity. "There is zero incentive to maintain a ship with a short life, perhaps Intertanko could force through a 40 year life for a ship." More discussion. Nigel Palmer of BP ended on a critical note. "Flag doesn't work and ISM doesn't work," he said. Jim Davis wound up the meeting. "The good thing is that the problems are now being tackled head on!" He offered the wannest thanks to Peter Swift for his presentation and to David Cockroft and his colleagues for their excellent hospitality.

Delegates that attended:

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Jim Davis CBE	**Chairman IMIF**
David Cockroft	**Host - Secretary General, ITF**
Peter Swift	**Speaker - MD, INTERTANKO**
Steve Cotton	ITF
Alec Crawford	Jamaica Ship Registry
Mike Dance	Jackson Parton
Maria Dixon	Consulate General of Republic of Panarna
Fred Doll	Doll Shipping Consultancy

John Faraclas	Shipping International Monthly Review
Richard Greiner	Moore Stephens
Fred Hardy	Bureau Veritas
Jeremy Hodgson	London Representative - Deutsche Schiffisbank AG
Sharon James	ITF
Michael Jolliffe	Wighams Capital Partners Limited
Rossen Karavatchev	ITF
Peter Kidman	LISCR
Richard Leslie	IACS
Frank Leys	ITF
Kees Marges	ITF
Ravi Mehrotra	Foresight Group
Jim Myles	Bank of Scotland
Nigel Palmer	BP Shipping Limited
Paula Puszet	Drewry Shipping Consultants Limited
John Ramage	International Registries (UK) Ltd
Jean Richards	Fairwind Shipping Limited
Struan Robertson	Stephenson Harwood
Kei Tanaka	Japan Ship Centre (Jetro)
Tsuneo Tsunoda	Class NK
Philip Wareham	Holman Fenwick & Willan
Jon Whitlow	ITF
Michael Wingrove	Lloyd's List
Michael Wyler	International Registries Zurich
Ian Bouskill	Secretary, IMIF

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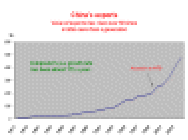
IMIF Buffet Luncheon - Wednesday 19 May 2004 at 12.30 - 1430 hrs

	......	
Venue	**:**	**Moore Stephens Training Centre, 1 Snow Hill, London, EC1**
Hosted	**:**	**Moore Stephens / Richard Greiner**
Speakers	**:**	**Professor Tim Congdon CBE, Director, Lombard Street Research**
Subject	**:**	**"The Asian Free Trade Boom: what does it mean for the world economy? And for shipping ?"**

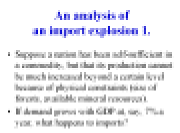
In memoriam - Paul Powell

Before Jim Davis introduced the guest speaker he first said a few words concerning a very active supporter and good friend of IMIF, Paul Powell, who, sadly, died this year at the age of 64. Jim remembered him as a young man, full of vim and vigour who originally wanted to join the Royal Navy but who ended up studying all areas of accountancy before coming into Moore Stephens - and shipping. Moore Stephens audits around the world including a significant percentage of the Greek owners kept Paul busy until with perestroika in Russia the former Soviet Union countries became his most regular destination. Paul had a distinctive almost 19th century appearance with his beard and round glasses although his approach to accountancy was thoroughly modem. Jim recalled Paul with pleasure. "I think of Paul as a great man in shipping who left the scene all too soon" he said.

Jim introduced Professor Tim Congdon as a great chess player who writes regularly in the Spectator on the economic scene and who is equally well known as one of the government adviser 'wise men'. "When I approached him to ask him to speak to us Tim pointed out that he didn't actually know very much about shipping. I said that's exactly why I asked him. Shipping is very important in its own eyes but in reality it only reflects what is happening in the world economy."

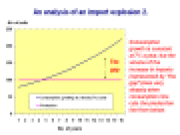


Tim Congdon reiterated as the first slide was shown that he was not a shipping man but an economist here today to consider the Asian Free-trade boom. With regard to China he felt that there is still a great deal to say and that the excitements of the past two years are just a prelude to the next 25 years or so. "As we can see, China's exports have risen over 50 times in little more than a generation with a growth rate now of almost 20% a year.

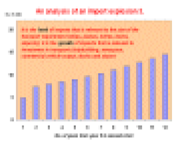


You may ask why didn't it lead to a greater impact on shipping earlier. The fact is that in earlier years the increase was largely in commodities for which China was self-sufficient. Now with tariff rates under 10% there is almost free trade. I think that Hong Kong and Singapore very much impressed and influenced the PRC and led to a reappraisal . One looks for this not to Chairman Mao but rather to Deng Chao-Ping."

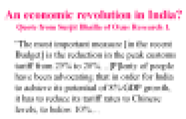
Tim Congdon used the first graph to explain by analysis the factors involved in an import explosion. Suppose, he said, a nation such as China has been self-sufficient in a commodity but that its production cannot be increased beyond a certain level because of physical constraints (think of oil - with only a finite amount there - or forests - but with production cut back after the floods) - then if demand grows with GDP at, say, 7% a year, with the nation still exporting some of its products, what happens to imports?



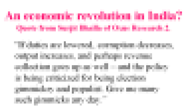
The graph, showing just such a consumption growing at a steady 7% demonstrated how the volume of the increase in imports rises very sharply (it literally 'explodes' as Tim said) when the 'consumption' line cuts the 'production' line of 100 units from below, rising from a factor of 5 to 120 units in 17 years. Now just think, Tim said, what would happen if that growth rate were to rise to 34% a year! Such enormous growth clearly affects shipping needs - and creates bottlenecks!



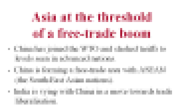
Another graph demonstrated that it is the *level* of imports that is relevant to the size of the transport requirement (ships, planes, lorries, docks, airports) - and it is the growth of imports that is relevant to investment in transport (shipbuilding, aerospace, commercial vehicle output, docks and airports). Tim cited a European example. Once there were a lot of 'low-productivity` people working in France and Italy mainly in agriculture but a move to the cities has brought about high productivity.



This is a cycle with a long way to go. He then introduced India. In 1947 India was given its independence - at just the wrong time, Tim said. It was corrupted by the then English ideal of the need for 'State Planning'. As a consequence Hong Kong trade was actually greater than the whole of India's trade put together. But now there is a new mood in India. Tim quoted Surjit Bhalla of Oxus Research. "The most important measure (in the recent Budget) is the reduction in the peak customs tariff from 25% to 20% .... plenty of people have been advocating that in order for India to achieve its potential of 8% GDP growth, it has to reduce its tariff rate to Chinese levels, to below 10%...."



Another quote from Stujit Bhalla. "If duties are lowered, corruption decreases, and perhaps revenue collection goes up as well - and the policy is being criticized for being election gimmickry and populist. Give me many such gimmicks any day." So great changes are now taking place.

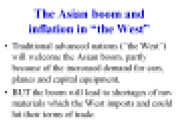


China has joined the WTO and has slashed tariffs to levels normally only seen in advanced nations such as the EU, the United States and Japan. China is forming a

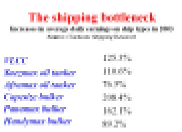
freetrade area with ASEAN (the South-East nations) and now India is vying with China in a move towards trade liberisation. Thus two great nations are on the verge of huge tariff reforms. The new Prime Minister of India, Singh, was always a reformer (Tim Congdon remembers meeting him) - and he firmly believes in cutting tariffs.

Trade liberalisation will increase output growth because of gains from specialisation, gains from increased economies of scale and gains from more rapid diffusion of most advanced technology.

The implications of a free-trade revolution in Asia are a faster trend rate of growth in the world's most populous nations; increased demand for raw materials to support the growth and supply bottlenecks (e.g., shipping at present) which will vary from cycle to cycle.



Traditional advanced nations ("the West") will welcome the Asian boom, partly because of the increased demand for cars, planes and capital equipment BUT the boom will lead to shortages of raw materials which the West imports and this could hit their terms of trade. Bottlenecks cause inflation.



The present shipping bottleneck shows noticeably marked increases in average daily earnings on various ship types. Those increases in average daily earnings for 2003 were - VLCC 125.3%; Suezmax tanker 110.6%; Aframax tanker 76.5%; Capesize bulker 208.4%, Panamax bulker 162.1% and Handymax bulker 89.2% (Source Clarksons Shipping Research) resulting in a wonderful year for shipping.

Tim Congdon finished by considering the question of whether we have to worry about inflation because of the Asian boom. "At the level of the world economy inflation depends on the growth of the quantity of money relative to the quantity of goods and services but the leading industrial nations may resist exchange rate appreciation (because it is temporarily inconvenient) and they will suffer a terms-of-trade loss if their imports become scarcer relative to their exports."

Maria Dixon then asked "If there is a shortage of raw materials who will be affected - the West or the East?"

Tim Congdon - We now have the prospect of US inflation so it will not be an 'east or a 'west' situation - it will be a global problem. One should also note that India and China have one third of the world's population and a lot of people are flowing towards Shanghai - one has to wonder whether the economy can keep stable with this rush? The old ideas in China and India have gone - they kept the economy back. (Note that the *increase* in production in China last year was greater than the *whole* of the UK's production.) "But short to medium term, and subject to unknown factors (politics/terrorism/WTO dilemmas) it is not a problem", says Tim, "the market will sort it out. I am often reminded of a saying by the famous 18th century Scottish philosopher Adam Smith, author of 'The Wealth of Nations' and the founder of modem economics. He suggested that it should be perfectly possible to grow bananas in Scotland - but that it would not be very sensible to do so. Much better that you concentrate on doing what you are good at!"

Jim Davis thanked host Richard Greiner of Moore Stephens for the splendid hospitality and Professor Tim Congdon for his excellent presentation. "You have given us a lot to think about" he said.

Delegates that attended:

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Jim Davis CBE	**Chairman IMIF**
Richard Greiner	**Host - Moore Stephens**
Tim Congdon	**Speaker - Director, Lombard Street Research Ltd**
Minerva Alfonso	INTERTANKO
David Anstis	Moore Stephens
Anders Baarvik	INTERTANKO
Philip Bailey	Theisen Securities Limited
Nigel Barton	Citigroup, Global Shipping Logistics, London
Simon Beale	K J Coles Amlin Plc
Yun Cai	COSCO (UK) Limited
Phyllis Chan	Moore Stephens
David Cotton	The Salvage Association
Peter Cowling	The Swedish Club
Andrew Craig-Bennett	COSCO Maritime (UK) Limited
Alec Crawford	Jamaica Ship Registry
Elinor Dautlich	Holman Fenwich & Willan
Maria Dixon	Consulate General of Republic of Panama
Fred Doll	Doll Shipping Consultancy
John Faraclas	Shipping International Monthly Review
Jeremy Hodgson	London Representative - Deutsche Schiffsbank AG
Sharon James	ITF - Seafarers' Section
Peter Kidman	LISCR
Janos Koenig	Eurofin International Limited
Paddy McKnight	The Japanese Shipowners' Association
Shinichi Miwa	NYK Line
Otto Norland	Northern Navigation International Ltd

Jeremy Penn	The Baltic Exchange
Julian Ratcliffe	Theisen Securities Limited
Tony Suchy	Ince & Co
Chris Tomlinson	Fairplay
Tsuneo Tsunoda	Class NK
Ian Bouskill	Secretary, IMIF

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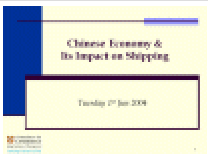
IMIF Buffet Luncheon - Tuesday 1 June 2004 at 1230 -14.30 hrs

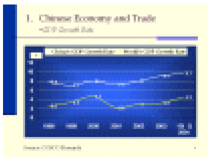
	......	
Venue	**:**	**Stephenson Harwood, One St Paul's Churchyard, London, EC4M**
Hosted	**:**	**Stephenson Harwood /Struan Robertson**
Speaker	**:**	**Ms Zhou Ling, COSCO**
Subject	**:**	**"The Chinese Economy and its impact on Shipping"**

This originally unscheduled luncheon came about through the good offices of Andrew Craig-Bennett who met Ling whilst he was teaching a session at John Doviak's "Anatomy of Shipping" course and he felt that what she had to say might be of especial interest to IMIF. Ling had met our Chairman Jim Davis some three years previously at the Baltic Exchange when she was visiting with colleagues from COSCO. A call to Struan Robertson of Stephenson Harwood who of course have a well established presence in Guangzhou and Shanghai elicited willingness to host this luncheon which on the day itself turned out very appropriately to be a luncheon 'in the oriental manner'!



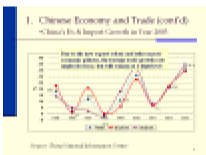
Jim thanked Struan for the quite remarkable spread they had all enjoyed and then took up the theme of the lunch "China was formerly a

sleeping giant" he said "with a population of 1.3 bn people - and it is currently importing 10 m tons of steel each month. Can it last? This young lady is here to tell us and it is providential that at our last luncheon Professor Tim Congdon was talking about the Asian free-trade boom and its effect on shipping and now Zhou Ling is going to narrow the field specifically to China, its economy and its impact on Shipping.

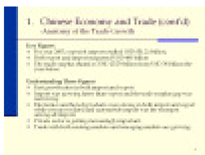


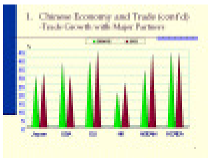
The first graph showed China's GDP Growth rate compared to that of the rest of the world. The rest of the world had a GDP growth rate starting at 2.6% in 1998 rising by degrees to 4.5. The comparable figures for China commenced at 7.8 rising in the first quarter of 2004 to 9.7..

What is behind these numbers? Fixed Asset Investment grew by 26.7%. Investment for heavy industries like coal and steel is the main driver for fixed asset investment with a growth rate of 33%. Investment in real estate has maintained a growth rate of 20% in the past 3 years. Contribution of investment to GDP is more than 64%. Consumption growth rate was 9. 1 % in 2003. The hottest consumer goods are property, automobiles, telecommunication products and travelling. There is a widening gap between the rich and the poor and the problem of imbalanced development between rural and urban areas is coming to the forefront. The economy is very much reliant on pillar industries and heavy industries. It is an economy driven by industrial development. The problem of lack of sufficient demand has been resolved. A new problem of insufficient raw materials and energy resources has however emerged.



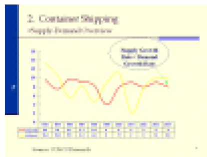
For 2003 export and import totalled US$ 851.21 billion! Both export and import surpassed US$ 400 billion. The trade surplus shrank from US$ 30 bn to US$ 25.53 bn. This shows fast growth in both imports and exports. The import rate was growing faster than the export rate and consequently the trade surplus gap was narrowing. The private sector is growing increasingly important and trade with existing markets and emerging markets is also growing .

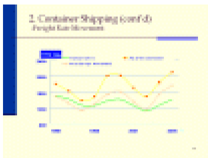




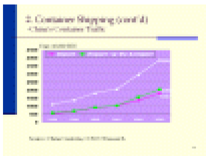
A graph showing trade growth with China's major partners (Japan, USA, EU, HK, Asean and Korea) confirmed these trends.

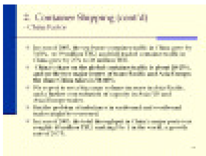
Other graphs followed showing China's sea-borne traffic, an overview for supply and demand for Container shipping - and Freight rate movement.

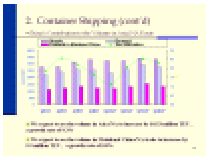


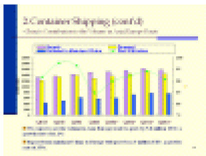


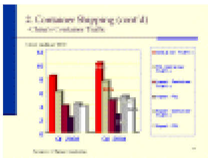
In 2003 sea-borne container traffic in China grew by 3 1 % to 39 mn teu and fullloaded container traffic in China grew by 27% to 28 mn teu.



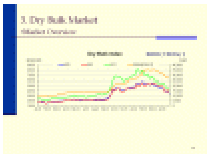




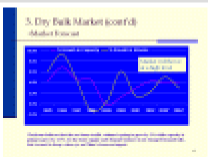


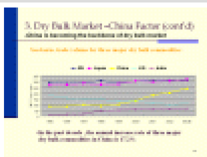


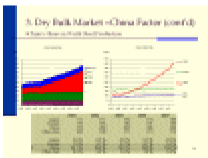
China's share on the global container traffic is about 20-25% and on the two major routes of trans-Pacific and Asia Europe the share China takes is 50-60%. China expects to see a big volume increase in Asia Pacific and a further concentration of capacity in Asia / US and Asia / Europe trades - but the problem of imbalance in eastbound/westbound trades might be worsened. In the year 2003 the total throughput in China's major ports was roughly 48 million teu, ranking No.1 in the world. Further graphs detailed other aspects of the container shipping analysis



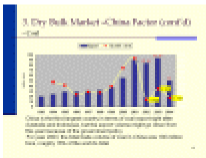
Ling commented on the dry bulk market that supply is less fast than demand - rising price is pushing down demand. She added that the 'China factor' now contributes to half of the world dry bulk commodities.

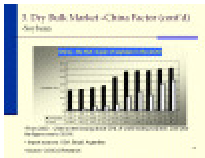






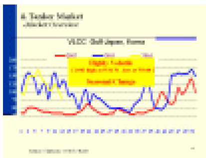
China is the backbone of the dry bulk market and has become the largest importer of iron ore in the world. China is the largest in steel consumption, steel production and import. It equals that of the USA and Japan combined.

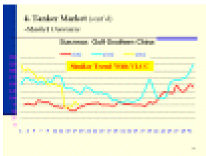


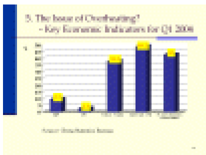


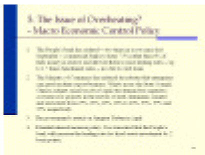
Coal was more difficult to assess. China exports from the north but imports in the south. Is the economy overheating? Fixed asset investment was 26% and is now 43% (with steel and cement 103%!) However Ling does not think that the economy is overheating.

The government controls 4% of the market and the private share is more than 90%. The government is determined to curb expansion in cement, aluminium and real estate. It is rumoured that the People's bank will increase the lending rate for fixed asset investment by 2 basis points but Ling does not think that this will actually happen. Conclusion - The Chinese economy will keep growing by over 7% in the coming 10 years; The demand for energies and resources in China is changing the pattern of global seaborne traffic; China is a key factor in the world shipping industry.

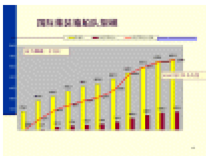


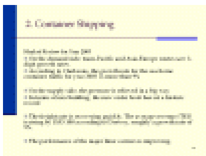


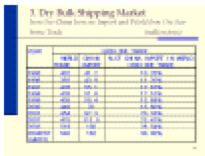


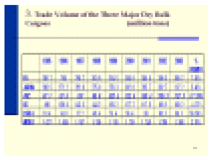


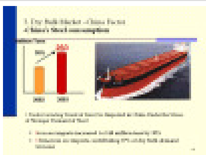
In the long run the economy is NOT going to slow down.

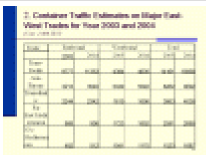


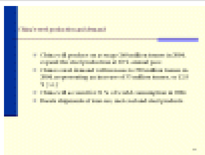


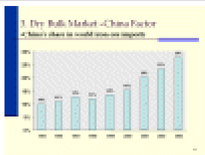


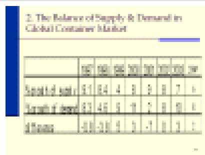












Jim Davis thanked Struan Robertson for the excellent hospitality and Zhou Ling for a fascinating and fact-crammed presentation. He wished her every success in her future role back in China.

Delegates that attended:

....	
Jim Davis CBE	**Chairman IMIF**
Struan Robertson	**Host - Stephenson Harwood**
Ling Zhou	**Speaker - COSCO**
Minerva Alfonso	INTERTANKO
Anders Baardvick	INTERTANKO
Nigel Barton	Citigroup, Global Shipping Logistics, London
David Cockroft	ITF
David Cotton	The Salvage Association
Peter Cowling	The Swedish Club
Andrew Craig-Bennett	COSCO Maritime (UK) Limited
Paul Hinton	Bilbrough & Co Managers (London P&I Club)
George Hodgkinson	Stephenson Harwood
Roger Holt	INTERCARGO
Chris Horrocks	The Chamber of Shipping
Sharon James	ITF - Seafarers' Section
Peter Kidman	LISCR
Paddy McKnight	The Japanese Shipowners' Association
Shinichi Miwa	NW Line
David Moorhouse	Lloyd's Register of Shipping
Paul Over	Pacific Basin (UK) Limited
Janet Porter	Lloyd's List
Jean Richards	Fairwind Shipping Limited
Ian Bouskill	Secretary, IMIF

Press Cuttings

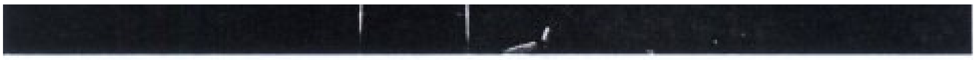
SHIPPING INTERNATIONAL MONTHLY REVIEW	**May 2004**

IMIF scrutinizes tankers - today - and tomorrow!!

(l to r) David Cockroft, Jim Davis and Dr. Peter Swift

More than 30 delegates from all sectors of the international maritime industries met on the 28th of April at the prestigious ITF headquarters in Borough Road, London to hear Peter Swift, Managing Director of Intertanko talk to IMIF about developments in the tanker market. Dr. Swift was noticeably positive about modern developments. He emphasized just how costefficient the industry now is with oil being delivered at a cost of less than 2 cents a gallon and sometimes less than 1 cent. Tanker accidents have declined markedly with spillage accounting for about 8% of all pollution (where natural seepage itself accounts for 47%). Today 60% of all tankers are double-hull with the year 2003 seeing a huge response by the industry to new requirements.

There are operating difficulties including a rampant Europe and a totally unjustifiable "criminalisation" of seafarers. Even so the industry is way ahead of legal requirements both with regard to the environment and cooperation with regulators - although Dr. Swift felt that more rational targeting by PSC might be helpful. Feedback from some flag states was poor and transparency could do with improvement - as could commitment and ratification by some politicians. "The good thing" said IMIF Chairman Jim Davis summing up "is that the problems are now being tackled head-on!!"



A full house at ITF's Auditorium

Fairplay
THE INTERNATIONAL SHIPPING WEEKLY

27 May 2004

China promises even more for shipping

FAR FROM the subject being exhausted, there is still a lot to say about China, says Professor Tim Congdon. He maintains that China's story has really only just begun, a major plot line that is nevertheless just part of the much bigger narrative of Asian free trade that will underpin the shipping markets for the foreseeable future.

By his own admission, Congdon - an economic commentator whose career has included a spell advising the UK chancellor - knows nothing of shipping, but his presentation last week to an International Maritime Industries Forum (IMIF) audience centred on the macro-economic trends that in turn shape shipping.

Economics guru Tim Congdon says China is at the heart of a free-trade revolution, and that most of its impact on shipping has yet to he felt

As Congdon sees it China has irrevocably committed to a course that will see its impact on the world economy grow and grow. A measure of that developing influence is trade, and China's exports have soared in value from around $5Bn in the early 1970s to nearly $500Bn today, says Congdon, a 17% compound growth rate that shows no sign of abating..

As such, China's presence in the world economy has becoming steadily more obvious, but it has made such a splash of late because it is running out of raw materials.. After all, China used to be an oil exporter, notes Congdon, but is now one key driver of imports growth.

It is these points, when rapid growth catches up and overwhelms a country's ability to be self-sufficient, that have such an immediate and resonant impact on trade and shipping.

The divergence between domestic production and consumption is opening up very quickly indeed in China's case, with an impact on shipping that will be "explosive", says Congdon.

"This is in no way a mature process," he says, and the pressure for higher commodity prices will remain, as will intermittent bottlenecks in the logistics chain.

Having looked at the relative success of Hong Kong and Singapore in the early 1970s, China will not be distracted from its chosen path to a liberalised market economy. Tariff levels are in many cases as low as 100/6, he notes, much as the EU, the US or Japan, or any other developed country. But India's tariff levels are not that much more than that (about 20%), and Congdon thinks that India, too, could have tremendous impact on the world economy in the coming years.

India will not be distracted from its reformist path by the change in government and its new prime minister is credited with kick-starting India's reformist tendencies, he points out.

Asia, Congdon believes, is on the threshold of a free-trade revolution, the results of which will largely be benign, but particularly good for shipping, of course. Higher commodity prices will mean that inflation may make an unwelcome comeback, particularly in the US this year, and it is conceivable that the commodity shortage will act as a constraint on growth.

But commodity price increases will to some extent be balanced by price fails in other areas, says Congdon, not least as free trade and its corollaries of increased specialization, greater economies of scale and speedier diffusion of technology, result in lower costs

SHIPPING
INTERNATIONAL MONTHLY REVIEW

June 2004

.IMIF meets the Economics Guru

A very large turnout from all sectors of the International Maritime Industries at Shipping Accountants Moore Stephens when Richard Greiner hosted another very successful and informative IMIF luncheon at One Snow Hill. The guest speaker was Professor Tim Congdon, the noted economist, noted for his successfully accurate international economic forecasts for many years now and indeed he was awarded the CBE for his services to economic debate. Professor Congdon ranged through

such huge considerations as China's exports which have risen enormously - over 50 times in little more than a generation; he also analysed the consequences of an import explosion with consumption growing at 7% and a nation still exporting some of its products, and a growth rate of 34% in a year and its effect on shipping and the


(l to r) Richard Greiner, Professor Congdon and Jim Davis

consequent vreation of 'bottlenecks'. He then went on to cast his eyes on India as well and he advised that both these two great states were, he was sure, on the verge of huge tariff reforms with the new prime minister of India, Mr in a year and its effect on shipping Singh, who Professor Congdon had and the consequent creation of 'bot- previously met, a firm believer in tlenecks'. He then went on to cast cutting tariffs. Professor Congdon also discussed the impli cations of the Free Trade revolution under way in Asia. The old ideas in China and India which were holding things back are now gone, said Professor Congdon. He seemed quite relaxed about the effects of these changes on established industries. Harking back to another famous economist, Professor Congdon referred to Adam Smith. Adam Smith once said it was possible to grow bananas in Scotland but that it would not be very sensible so to do. Countries should concentrate "said Professor Congdon "on what they are GOOD at - and leave the rest to others."

Lloyd's List

Thursday June 3 2004

China' s shipping nerves just a 'blip'

Cosco economist believes shipping bonanza will continue despite worries about China's economy and the recent fall in dry bulk freight rates, writes Janet Porter


Zhou Ling, left, talks to Jim Davis, chairman of IMIF, at her lunchtime presentation.

"A FEVER without a temperature" was howthe health of the Chinese economy was summed up by a Co Container Lines economist who does not believe the shipping bonanza created by the country's sizzling international trade growth is about to end.

China's economic fundamentals remain sound, Zhou Ling said during a lunchtime presentation to members of the International Maritime Industries Forum this week.

Ms Zhou, who is completing an MBA at Cambridge University before returning to Cosco in China later this year, said worries about over-heating were centred largely on economic activity in a few cities, with no such concern for most other parts of the country.

She expects the Chinese economy to keep growing at annualised rates in excess of 7% over the coming decade, with positive implications for shipping.

Although dry bulk freight rates have dropped sharply in recent weeks and China Shipping Container Lines was forced to cut back the size of a planned fund raising after a sudden bout of nerves about the state of China's economy, Ms Zhou attributed these developments to short-term adjustments rather than any long-term downturn.

Demand for energy and raw materials remains very strong, she said. Other economic indicators also look very positive she continued, citing figures such as 27% fixed asset growth last year and imports as well as exports growing fast. Both surpassed $400bn in 2003.

With a new middle class emerging, consumer demand rose by more than 9% last year.

Prospects for container shipping remain particularly good, with the country's share of global box traffic now almost a quarter of the total.

Cosco expects volumes from Asia to North America to grow by 10.53m teu or 9.3% this year, with China accounting for about half that increase.

A similar picture is projected for the Asia to Europe trades, which are forecast to expand by 5.98m teu or 11.3%.

Mainland China is expected to account for 2.9m teu of that increase, representing a growth rate of 35%.

The immediate impact on the container trades of the recent economic wobble is likely to be mixed, said Me Zhou, and much less dramatic than on those areas of shipping more vulnerable to commodity price swings.

The tanker trades, meanwhile, look set to enjoy huge gains as Chinese energy demand catches up with the rest of the world.

Right now, Chinese oil consumption per person is only 6% of corresponding demand in the US.

The US consumed 894m tonnes of oil in 2002, compared with 246m by China.

SHIPPING
INTERNATIONAL MONTHLY REVIEW

July 2004

Always have a plan B!

"China is the sleeping Giant - a population of 1.3 billion people importing 10 million tons of steel a month - but can it last? Well here is the lady who can tell us." With these words IMIF Chairman Jim Davis introduced the guest speaker at the IMIF buffet luncheon hosted- by Struan Robertson" on 1st June at Stephenson Harwood. The subject for discussion was "The Chinese Economy & Its Impact on Shipping" and in recognition of speaker and topic Struan Robertson had arranged for a Chinese-style luncheon to be served to the assembled IMIF delegates. The speaker was indeed able to tell them all. Zhou Ling is a researcher from COSCO's head office in Beijing and she is currently in the process of completing an MBA at Cambridge before returning to China in September.

With an unending series of highly detailed slides Ling was able to map the progress of China's continuing economic expansion and its effect on shipping. Fixed Asset Investment up by 26.7%; investment in real estate up by 20%; consumption growth increased by 9.1% in 2003. With the emergence of a recognisable middle class property, automobiles, telecommunication products and travel are all in great demand now. The Chinese economy has entered a new phase, driven by industrial development. The problem of lack of demand has been resolved but a new problem has surfaced - that of insufficient energy resources and not enough raw materials. For the year 2003, Ling explained, export and import totaled a staggering USD 851.21 billion with the private sector becoming increasingly important. The Supply Growth Rate in proportion to the Demand Growth Rate showed a 6% increase this year already with Freight Rate Movement up by 3 times for Maersk and 6.5 times for OCR. Some areas are more tricky to analyse, coal for example, where China is exporting in the north but importing in the south. Is the economy overheating? Fixed Asset Investment was 26% and is now 43%. Chinese steel consumption, production and import is as big as the equivalents of the USA and Japan combined. The Chinese governrnent has ordered commercial banks to increase their money in reserve from 6% to 7.5% in a bid to curb loans. However Ling was quietly optimistic about the economy pointing out that while the government controls 4% of the market the private market accounts for more than 90%. And plan B? During her presentation the computer broke down. However Struan had Felt that all Ling's pre-assembled information was of such importance that he had arranged for it to be printed in smartly coloured Stephenson Harwood folders for distribution to the IMIF delegates afterwards. As the computer faded away the smartly coloured folders were handed out, places in the text were found and the presentation was able to continue with the minimum of disruption. Always have a plan B!

Lloyd's List

Tuesday March 16 2004

LAST WORD

Jim's forecast

"THE worst decisions are made at times of highest prosperity" sounds a bit Confucian, but it is the sage of the International Maritime Industries Forum perpetual chairman Jim Davis, who repeats this dire warning in his newsletter, hot from the press

Despite the noise of rejoicing from delighted shipbrokers filtering through the ventilators into his cellar at The Baltic Exchange, "Scrapping" Jim advises would-be leapers onto the crazy world of shipowning to look first.

Confucius, giving way to his more natural Cassandra, he suggests that "world economic growth will continue to sustain the shipping markets for the whole of 2004 and 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"

You want to put money on it?