

I write this on a weekend when the Baltic Dry Index has rocketed to a record 7319. In simple terms this means that a Cape-size can earn a princely \$118000 a day; evidence that the world demand for commodities and indeed manufactured products remain unabated.

But the remarkable feature of this new freight market high is that it takes place after a near unique roller coaster ride in the world's stock markets. The banking system globally is somewhat shaken by the apparent over-supply of credit to what are known as "sub prime" borrowers. As a result easy credit is no longer available, at least for the time being, while banks and investors reappraise their potential liabilities. Some commentators have labelled the stock market fall as a "useful correction". Personally I have no idea of what these neat little words actually mean.

Can it really be that the shipping market has a life of its own independent of the nervousness of the money markets? To a certain extent I suppose it has.

China's industrial and transport expansion means that the demand for raw materials continues unfulfilled. As one example, queues of vessels await berths in the Eastern Seaboard ports of Australia to take on board ore (1 million tons a day has been estimated as China's demand figure) and this inevitably results in powerful, ever increasing, demand for shipping space.

Similarly the customers of China and the Eastern Tigers, principally the US and Northern Europe, have so far continued to buy apparently ignoring their dangerous borrowing position and balance of trade deficits. It would indeed be a sorry thing for the world if the US or Europe went into deep recession.... who else can take their place in the short, medium or even long term?

All this presents to me a brand new state of affairs different from any I have encountered in my 55 years in shipping.

IMIF is by definition a Forum where these matters should be debated. After all we alone represent all facets of the marine industries and should devote time to thinking about fundamentals, particularly in light of today's globalisation. Even if the freight market does continue its merry upward way (which is worthy of profound scepticism) there is already in sight the likelihood of overtonnaging when the shipbuilding potential of the world is augmented and unleashed.

Also there is the growing realisation that despite population expansion something must be done to create **sustainable** growth (ie from an ecological and practical angle we simply cannot continue to use up the earth's resources at the current rate. It would, argued one scientist at a seminar on the topic I recently attended, require **three** earths to provide the materiel if all the world were consuming at the same rate as the UK).

That, carbon footprints, terrorism, piracy, etc etc are matters that are going to affect our great industries over the next decades.

While enjoying the present let us therefore devote a proper portion of our time to thinking about the future and make prudent provision for it.

I sincerely hope I am not simply becoming boringly old (which possibly I am) but I commend the thoughts I have presented above as valid and worthy of debate by all of us.

Jim Davis

PS - Julian Brazier Shadow Minister for Transport, Shipping

Over the years we have maintained a close contact with the Department for Transport and the Minister and Shadow Minister responsible for Shipping.

I therefore asked the recently appointed "Shadow" Julian Brazier to lunch here at the Baltic Exchange where he was able to talk not just to me but to several of our members viz Ian Gooch (Director - A Bilbrough & Co Ltd, Managers - The London Steamship Owners' Mutual Insurance Association), Captain William "Paddy" McKnight LVO RN (Manager, The London Branch - The Japanese Shipowners' Association) and Spyros Polemis (Chairman - Seacrest Shipping Company Ltd, Vice Chairman – The Greek Shipowners' Co operation Committee and Chairman – International Chamber of Shipping).

It was a useful occasion and Julian Brazier demonstrated that he is very anxious to hear more about shipping in general and the special problems that confront particularly UK shipping. We did not talk endlessly about the "UK flag" debate but concentrated on the broader problems of world shipping and the maintenance of London as the world centre of global maritime affairs. Members will recall that Theresa May, Brazier's predecessor, was also intelligently open-minded. The ever present topics of European Union bureaucracy, safety, piracy, carbon footprints and manning problems were all debated.

We have not yet met Mr Jim Fitzpatrick, the recently appointed Labour Government politician who has taken over from Dr Ladyman. This we must do especially as the appointment **appears** to have demoted the shipping role from Ministerial level to that of Parliamentary Under Secretary of State.

Jim Davis

IMIF new members

We are pleased to advise of the following new members:

UMIP (International Maritime University of Panama)

Capt. Orlando Allard, Rector

A Special Thank You

We would like to offer a very special vote of thanks to all the members of IMIF for your continuing support of IMIF.

It is solely through access to the wide-ranging wealth of expertise in all areas of the international maritime industries that the membership possesses and so generously shares with IMIF, combined with your financial support and your very noticeable goodwill that IMIF is able to operate as effectively as it does.

It is truly appreciated.

REPORTS

IMIF Buffet Luncheon Thursday 12 April 2007
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Hosted by:	Mr Steve Allum, Chairman, Aon Global Marine
Guest Speaker:	Mr Stephen Hawke, Chairman of Aon-PLF
Subject:	Protection & Indemnity Clubs – Our thoughts on recent renewals and the future of P&I

An urgent telephone-call from a hospital shortly before the luncheon started resulted in the guest speaker having to make an immediate departure. Consequently, for the first and only time in more than ten years IMIF was without a guest speaker at a pre-arranged luncheon. However, as Chairman Jim Davis pointed out, a very select group of high-profile IMIF delegates had assembled from far and wide to hear what Stephen Hawke had to say and so the opportunity was taken to sound them out on a whole host of opinions related to the subject in hand.

Items discussed included P&I accident cover for passenger ships; pollution cover related to cruise ships; VLCC cover; just where ferries did – or did not – fit into P&I cover; the blame culture; the relatively low number of passengers on an aircraft (say 350 people) compared with those on a ship (say 2000 people); the politicians who were happy to protect passenger claims, however small, against the “rich” cruise lines; the EC wanting to free-fund claims before liability had even been proved; the effects of ecology creeping into P&I calculations for example with the treatment of MSC Napoli; and the fact that while shipping pollution accounted for less than ten per cent of all marine pollution (Intertanko) and some major cities pour 1000s of tons of untreated sewage into the sea every day it was still the ships that appeared to be in trouble.

IMIF thanks all the delegates who attended, with additional thanks to Jack and Roderick Post who came across from Rotterdam and to Claus Kjaerulf who travelled from Denmark. Aon has advised us that Stephen Hawke still wishes to make his presentation and that another IMIF buffet luncheon with Stephen as guest speaker is scheduled to take place as soon after the 20 February 2008 call as can be arranged.

IMIF Buffet Luncheon Wednesday 23 May 2007

Hosted by:	Mr Struan Robertson, Partner, Stephenson Harwood
Guest Speaker:	Mr Bill Gibbons, Director, Passenger Shipping Association
Subject:	Cruise and Ferry - How Do They Compare?

IMIF Chairman Jim Davis introduced the guest speaker Bill Gibbons pointing out that in ten years IMIF buffet luncheons had covered many varied topics including finance, insurance, bulkers, tankers, various aspects of safety - and piracy, but until today none of the luncheons had discussed 'the beautiful ship' even though it had developed exponentially during that time. Jim recalled the early days of Ocean Travel Development – liners rather than cruise ships – with the remit then of promoting sea travel to reach one's destinations rather than going by air! This, over the years, had developed into the Passenger Shipping Association.

Bill Gibbons stated that certainly there was nothing to worry about now concerning the future of the industry with 39 brands of Cruising and 17 ferry lines. Of course a vital difference between the two was that Cruise provides a discretionary trip – for leisure – and is a relatively young industry 'capacity led' whereas Ferry is a noticeably old industry that is 'destination led'. And while ten years ago one could cite 44,000 passengers from the UK ex-UK port cruises now carried over one million passengers. A few other statistics and cruise-related facts: from UK ports the favourite destinations were 1st, Mediterranean, 2nd, West Europe and 3rd, Norway. With fly-cruising the Mediterranean was still the main destination followed by the Caribbean. Money spent on cruising last year - £197 millions! Over 3.4 million European residents now take a cruise with research showing in the UK that while 11% of the population has been on a cruise 33% would like to go on a cruise so the potential for the industry is enormous. The ferry industry has however suffered various blows. The first was the abolition of duty-free on day-trips, followed by the foot & mouth outbreak – and competition from the Channel Tunnel which opened in 1995. The differing treatment by the media of the two industries also has some effect with the Cruise industry attracting high media interest while that for the Ferry industry was noticeably low.

Simon Beale, as an underwriter, was naturally interested in enquiring just what exactly were the arrangements in hand to deal with a potential 'big' disaster. Other problems referred to included that of a virus on board ship.

Surveys carried out showed that onboard facilities were considered to be more important than destination with good food topping the list of requirements at 35% and ports of call following a close second at 27%. All in all a very informative luncheon dedicated to 'the beautiful ship'. IMIF thanks Bill Gibbons for his detailed presentation and thanks Struan Robertson and Stephenson Harwood for being such generous hosts.

IMIF Buffet Luncheon Monday 25 June 2007

Hosted by:	Mr Mike Vernell, Partner, Watson Farley & Williams LLP
Guest Speaker:	Mr John McNeece, The McNeece Consultancy
Subject:	New Business Opportunities in the Cruise Industry.

John McNeece, designer of Cruiseship interiors, has been involved with the evolution of 'the beautiful ship' for many years now. He trained at the Glasgow School of Art in 1962 when cruise ship design owed a lot to the influence of palaces in the Middle East. He worked with all the big names, (P&O and Cunard, to mention a couple) and, importantly, the shipbuilders would always come to him before the ship was built.

It was essential that the ship should be designed from the inside outwards. In the early days though there were some problems. John would start with sheets of blank paper, sketch in some thoughts, add some computer designs and then go to the shipyard. The problem was that in those days the shipyards did not actually have any computers. He emphasised that Cruise is rather like a Club and is a sheer delight. Unlike hoteliers, in Cruise there is almost a family relationship.

John went on to explain the fine art of negotiating a contract with a shipyard. "It is important that you penetrate the management at the right level", he said. "Shipbuilding is a many-layered industry – and one dissenter in the wrong place can screw up an entire contract!" Unlike land-based developments where the relationship between contractor and architect can be very adversarial in ship design co-operation is essential. The big answer is to work out how much money your design can save. He mentioned by way of example how by going into partnership with an air-conditioning expert the pair of them were able to overcome the 1970's technology still being fitted in even the most modern cruise ships and by educating the yards find a solution beneficial to all. He added that the ball was still firmly in the court of the European shipbuilders where Cruise ships are concerned – the Far East is a much smaller participant in this market. As of last month, (May 2007) the value of cruise ships on order was 20 billion dollars accommodating 100,000 new berths with two vessels, Genesis and Genesis 2 at 220,000 tons and a third vessel proposed of 250,000 tons.

John had devoted a lot of time to considering the problems of safe evacuation from a large vessel and had produced a 'design' solution – large detachable pods integral in the ship's structure into which passengers could walk at the same level as the deck they were on - pods fitted with toilets, food and drink and entertainment. As stated, these pods would be part of the superstructure – but the design was thought to be 'too radical'.

Alan McCarthy thought, particularly after 9/11, that they were not such a bad idea but as Jim Davis pointed out however much public acclaim they would have brought to the owner they would still be regarded as an 'extra' cost – costing a lot of money.

Otto Norland declared himself taken aback by the attitude to the risks and the safety aspect. "Why

are the insurers not doing anything about it?" he asked.

Graham Barnes came up with the answer. "If you check disaster statistics the answer lies with the ferries – perhaps a thousand dead in a single incident. The figures for cruise-ships – a maximum of 6 dead, 2 on the Sea Diamond – and those two not necessarily brought about from a ship cause." However he did add that if ever there was a major disaster he was sure the law would insist on the new pod measures.

Jim Davis mentioned the illogical approach of some passengers "They complain about the number of port visits while on board," he said "and then boast of all the places they have visited when they get home!"

IMIF thanks John McNeece for a thought-provoking presentation and also Mike Vernell and Watson Farley & Williams for their generous hospitality.