Columbia Shipmanagement parent gets $800m write-off from HSH Nordbank

by David Osler

@finance_LL | david.osler@informa.com

Move clears decks for merger with Marlow, creating world's biggest shipmanager

The Columbia Shipmanagement headquarters in Cyprus: Schoeller Holding and CSM are part of the expat German cluster in Limassol and provide only limited employment for German nationals.

COLUMBIA Shipmanagement parent Schoeller Holdings will see around $800m of its $1.5bn debt to HSH Nordbank written off, with the north German taxpayer taking a huge hit to clear the way for CSM's planned mega merger with Marlow Navigation.

Ship finance sources in Hamburg today indicated that the move was effectively forced on the bank, as the only alternative to outright collapse of the company.

Schoeller Holdings has paid neither interest nor principal on its extensive borrowings during the shipping boom of 2005-2008 since the end of the 2000s, they claimed.

HSH Nordbank declined to comment on the matter. Schoeller founder Heinrich Schoeller – a former chairman of Steamship Mutual – had not responded to telephone and email queries from Lloyd's List at the time of writing.

The decision marks easily the biggest German bank write-off in the shipping sector yet, topping HSH's $600m debt forgiveness extended to Bernd Kortüm's Norddeutsche Vermögen Holding last year.

That outcome attracted a torrent of bad publicity in the mass media for the regional government-owned bank, especially as it coincided with the revelation that Mr Körtum had recently purchased a private yacht.

HSH's latest decision is unlikely to prove any more popular. Although Mr Schoeller is himself German, Schoeller Holding and CSM are part of the expat German cluster in Limassol.

Accordingly, they provide only limited employment for German nationals, either at sea or on shore. Any tax benefit to Germany from its operations will also be minimal.

However, Hamburg ship finance sources suggested that further major write-offs for owners could be on the cards. HSH has extensive loan loss provisions set aside, and there would be no point in it doing so if it did not intend to use them.

"They have had to do something, because they have got to sort out the big tickets," a person with knowledge of the situation argued.

"It is something they can do, because they have provided for that. They have made €5bn ($6bn) loan loss provisions in the last two years, and they are going to use them."

Legacy issues

Shipping write-offs will be seen by the bank largely as cleaning up legacy issues ahead of planned privatisation next year. The provisioning should mean there is no further damage to the bottom line or dilution of external profits.

Other Hamburg shipping people highlighted an apparent element of caprice in HSH's actions. While Körtum and now Schoeller have been let off the hook, other owners — notably Hermann Ebel at Hansa Truehand and Bernd Rickmers at Rickmers Holding — have lost their businesses because HSH pulled the plug.

One player commented in an email: "I am asking myself, what is the meta-story here? Are we talking fairness, when owners like Ebel have always been committed to servicing their debts, but the banks let his company go bust? It seems logical from a bank's perspective, as the write-offs are lower in this case. But is it fair?"

A source with awareness of the small print on the Schoeller deal said that the exact amount of the write-off would depend on the exchange rate, as Schoeller reports in dollars and HSH in euros. There are also mechanisms to recover some of the money if the merger with Marlow, announced earlier this year, proves a success.

The lash-up, announced last March, will result in the creation of the world's biggest ship management outfit by number of vessels, managing over 1,500 ships of all types and providing a significant chunk of the crew of top name cruise operators.

It seems the merger itself may be have been driven by the banks, as a way of keeping CSM from going under, some sources suggested.

Economou to acquire 36m DryShips shares as Kalani deal is axed

by Nigel Lowry

Chief executive will forfeit preferred shares and transfer Heidmar tanker pool stake to public company

George Economou is increasing his stake in DryShips

GEORGE Economou may be on the cusp of regaining majority ownership of DryShips after the Nasdaq-listed company he leads unveiled a $100m private placement of shares to its founder and chief executive.

The sale price of $2.75 per share would give Mr Economou an extra 36m shares in the company, versus a total of prior shares outstanding of just over 5m after DryShips' most recent reverse stock split on 21 July.

The Greek shipowner is acquiring the shares at a significant book premium to the previous closing price of $2.05, although the stock soared to $4.12 before Friday's opening.

Under the deal, DryShips will take over Mr Economou's 49% stake in Heidmar Holdings, the tanker pool operator he has co-owned for the past decade with Morgan Stanley, with a 2% stake held by Heidmar employees.

Mr Economou already wielded effective control of DryShips through preferred shares. In addition to the transfer of the Heidmar stake, other consideration for the shares includes forfeiture of all outstanding Series D preferred shares by one of his private vehicles, Sifnos Shareholders.

Each of the preferred shares carries 100,000 votes. DryShips will not get any cash from the share issue.

In its most recent financial update, the company said it had $58.6m in cash and equivalents, equal to $11.30 per share, while the book value of vessels was about $652m, equivalent to $125.86 per share.

The company was relatively low-leveraged, with outstanding debt of $237.5m.

The company's audit committee signed off on the placement and has also authorised a subsequent matching rights offering to shareholders.

This would allow shareholders to purchase their pro rata portion of the rights offering of up to $100m, also at a price of $2.75 per share.

Mr Economou will not directly participate in the rights offering but the amount will be back-stopped "in full" by another of his affiliate companies, Sierra Investments, which may receive shares under the backstop facility as repayment of an existing loan to DryShips.

What is more, the entrepreneur has devised several steps that appear designed to reassure shareholders there will be no further dilution for DryShips' stock, at least for a while.

Mr Economou has agreed to refrain from reselling any newly acquired shares for a six-month period and DryShips is undertaking to avoid any further equity offerings for the remainder of this year, unless approved by a majority of unaffiliated shareholders.

At the same time, the company has terminated its at-the-market-type stock purchase agreement with Kalani Investments, which has been a source of controversy between the company and disgruntled shareholders.

DryShips revitalised itself last year by diversifying and growing its fleet, which now stands at 36 vessels.

In addition to an existing fleet of 13 panamax bulkers and six offshore support vessels, since the start of this year the company has added nine modern newcastlemax and kamsarmax bulkers, four tankers and four very large gas carrier newbuildings, of which three are still to be delivered.

Policy split shakes out at reinvigorated UK Chamber

by Helen Kelly

@HelenKelly_LL | helen.kelly@informa.com

Sharp right turn for British institution once at risk of becoming outdated

UK Chamber of Shipping chief executive Guy Platten, left, and president Grahaeme Henderson, right.

THE UK Chamber of Shipping has got a bit of an edge to it these days. Once at risk of becoming yet another outdated British institution servicing the needs of a dwindling membership, it has taken a sharp right-hand turn in recent years to become a leading voice in promoting the maritime industry to the layperson and to government alike, a position that has become more prominent as Brexit negotiations begin in earnest.

Under current president Grahaeme Henderson, who is Shell's vice-president for shipping and marine, the Chamber has pushed forward its agenda on seafarer safety and the environment – two key components of his manifesto.

Working with tanker industry association Intertanko, among others, Mr Henderson has sought cross-industry support for improvements to safety performance that are embedded in corporate culture.

It is in shaping the debate around maritime and shipping in the Brexit negotiations where the chamber has come into its own. Chief executive Guy Platten has led a media campaign on the risks of losing the customs union, which could see road gridlock at the country's ports, should the free flow of goods be stopped.

In November 2016, the Chamber launched its Blueprint for Growth, which outlined the "absolute priorities" for the UK government ahead of Brexit negotiations. These include preserving the ease of doing business with the European Union, ensuring maritime companies have access to global talent and reform of domestic maritime policy.

It also wants the government to double spending on seafarer training. In December 2016, it presented a business case to the Department for Transport to increase funding for training seafarers to £30m ($37.2m), along with the Merchant Navy Training Board and the shipping professionals' trade union Nautilus International.

In January, the UK shipping minister John Hayes seemed to suggest the money would be forthcoming. He dropped some pretty heavy hints of a big announcement on seafarer funding at a UK Ship Register drinks reception to announce Doug Barrow's appointment as UKSR director.

An official confirmation of that extra spend was hoped for at the Chamber's February 2017 annual dinner, but was delayed due to the unexpected general election, with no more detail as yet forthcoming. Mr Henderson remains confident the government will come through after some hard lobbying from the Chamber.

Visa U-Turn a boost to UK training academies

By Helen Kelly

Home Office changes to Tier 4 immigration rules could help woo back international students

Read the full article here

It hasn't all been plain sailing at the Chamber. Rumours of internal policy differences swirl around London's inner circles as the 140-year-old institution pulls out of a significant period of change.

The factions break down loosely into those modernisers who believe the UK maritime industry has squandered its world-leading position in the past 20 years and those traditionalists who see the value in preserving a steadfast heritage. And that translated into a difference in interpretation of the role the Chamber should play in coming years. Mr Henderson reckons that if everyone agreed all the time, there would be something very wrong with the organisation: the wrong agenda, or not being curious enough. "It's good that there's a bit of edge in there… Whatever there is we'll find a way, we'll find a path through it which everyone agrees with."

What seems to be shaking out from this process is that the modernisers have begun to win the argument, with a path forward emerging in which the Chamber provides a first-class service to members alongside robust lobbying for the industry, based on a platform of key deliverables.

Smart+ is one example of this. But to be truly successful it is clear that the Chamber will need many more specific policy examples in the months and years to follow.

Dry bulker outlook upbeat, says Sinotrans Shipping president

by Cichen Shen

China's imports of iron ore and coal will remain strong

New bulker orders for Sinotrans Shipping are unlikely to skyrocket this year

WITH the worst of the cycle widely thought to be behind dry bulk shipping, prospects for the sector in the next 12 months continue to look optimistic.

Cargo demand appears bullish while fleet growth remains at low level, Sinotrans Shipping president and managing director Li Hua said.

The Hong Kong-listed operator controls a dry bulker fleet of 101 vessels, consisting of 11 capesizes, 52 panamaxes, 32 handymaxes and six handysizes. Of these, 37 ships are self-owned, including 9 capesizes, 11 panamaxes, 13 handymaxes and 4 handysizes.

Speaking at an interim results conference on Friday, Mr Li explained to analysts why he was confident about the market.

On the demand side, China's imports of iron ore will remain high. Beijing's efforts at cutting steelmaking capacity - amid strong demand for the product - has pushed up the market price. This has raised the appetite of domestic steel makers for overseas high-grade ore as they try to increase output.

The recent restrictive policies on coal imports in Southern China have had a somewhat negative impact on volume. But he country's bustling coastal coal trades have lured some ocean-going vessels to switch lanes, providing extra support for freight rates, according to Mr Li.

The average weighted time charter for panamax, the main force of coal shipping, currently stands at nearly $10,000 per day, almost twice the level during the same period last year.

"Demand for iron ore and coal will still be there as China's economy continues to grow," Mr Li said.

When it comes to vessel supply, the Hong Kong-listed operator, a subsidiary of state-owned giant Sinotrans & CSC, forecasted a mild fleet growth of 3% in 2017, with a slowdown in vessel deliveries and new ordering.

The longer-term picture also looks healthy, because the amount of newbuilding orders since last year has significantly fallen, said Mr Li.

Orders are unlikely to skyrocket this year, said Mr Li. The current equation between freight rate and ship price does not support another ordering binge for owners. Shipyards cannot offer any more discount owing to the increase in labour costs and steel price.

What is more, the economic recovery in the West has brought new demand, making the dry bulker markets less dependent on China. "The Atlantic trades are humming this year, with charter rates in the region increasing even faster than Asia," Mr Li said.

BIMCO pointed out in a recent report that US seaborne coal exports have risen 57% year-on-year by total volume and by 61% in tonne-miles over the first half of this year, thanks to robust demand from European importers, while East Asian traders are also in the market for more US coal imports.

Back to profit, no plan for merger

Backed by improved market conditions, Sinotrans Shipping recorded a net profit of $8m for the first half of this year, against a net loss of $40m for the same period last year.

Revenue in the six months rose 29.8% year on year to $500.6m.

The company's dry bulker segment saw revenue rise to $240.3m from $162m previously. Of that revenue, time charter income increased to $90.1m from $36.3m.

Shipping volume edged up 2% to 20.9m tons during the first half, but time charter equivalent rate surged 71% to $9,514.

Mr Li added that 80% of the company's self-owned dry bulker fleet was secured with charter hires until the end of 2017, with the daily rate for its capsize carriers locked at $13,000-$14,000.

Operation costs in the segment went up by 14.3% to $234.1m, as a result of higher operating lease rentals and bunker price.

At the same time, revenue from the company's containership segment, focusing on Intra-Asia trades, increased 16.4% to nearly $260m.

Lifting volume grew 15.8% to 470,610 teu, whereas average income per teu dipped 2% to $388.

The cost of operating the boxship fleet - 11 owned ships and 17 chartered-in vesels, with a total capacity of 36,455 teu - rose 14.3% to $243.9m.

As of the end of June, the company held more than $700m in cash and cash equivalents as well as short-term bank deposits. But Mr Li claimed the management had no plan to order new ships for the moment.

Sinotrans Shipping has an orderbook of six handysize bulkers and four containerships, which are expected to be delivered from the second half of this year.

Asked whether the company is involved in any merger activities, Mr Li said there was no detailed plan at the moment, although consolidation of similar shipping assets under the parent group will certainly happen.

China Merchants Group, which acquired the entire equity of Sinotrans & CSC in late 2015, is merging the shipping assets between the conglomerates.

Shanghai-listed China Merchants Energy Shipping, which currently has its share trading suspended, has already announced plans to acquire assets from several shipping units of Sinotrans & CSC.

The Alliance files amendment to FMC on insolvency protection

by James Baker

@JamesBakerCI | james.baker@informa.com

Commissioner welcomes move to collective responsibility

HAPAG-Lloyd led container line consortium The Alliance has filed amendments to its Federal Maritime Commission Agreement for a contingency fund designed to protect against the effects of one of the parties experiencing financial distress or an insolvency.

The Alliance, which is formed of the German carrier, the three Japanese lines and Yang Ming, has requested an expedited review of the amendment by the FMC to the plan it announced earlier this year that is designed to offer shippers security in the wake of the Hanjin Shipping bankruptcy last year, and allows for The Alliance to take collective responsibility should any of the partners face a similar situation.

to offer shippers security in the wake of the Hanjin Shipping bankruptcy last year, and allows for The Alliance to take collective responsibility should any of the partners face a similar situation.

Commissioner William Doyle welcomed the move, saying the Hanjin failure had been a wake-up call for the entire industry, when over $14bn of cargo was stranded at sea.

“It is so important that another Hanjin debacle does not happen again,” Mr Doyle said. “Companies may fail, but the responsibility lies with everyone, at least to the extent that we do not have the damage that occurred post-Hanjin.”

He added that looking back, things could have been done differently.

“Looking forward, things must be done differently,” he said. “We need safeguards and The Alliance is heading in this important direction.”

Mr Doyle said that if a carrier joined an alliance, it was the responsibility of the alliance members to ensure the cargo was delivered.

“If a carrier fails and that carrier is party to an alliance, the cargo carried on the failed company’s ships may only equate to a fraction of the container volume carried,” Mr Doyle said. “The majority of containers may belong to the other carriers in the alliance.”

The Hanjin failure had affected the entire ocean maritime transportation chain so it was essential that all took responsibility, he said.

“The responsibility is to get the ship into port and get it unloaded, get the empties on board and get the ship back out to sea,” Mr Doyle said.

High percentage of owners polled by ABS still face BWM systems issues

by Wei Zhe Tan

@ShipShape2003 | WeiZhe.Tan@informa.com

Systems said to be either inoperable or problematic

Tikka: We are better able to understand the challenges in the operation of the systems when we hear directly from owners.

SHIPOWNERS and operators are facing issues related to the ballast water management systems installed on their vessels, according to an American Bureau of Shipping poll.

The classification society surveyed about 30 industry participants and found that about 43% of BWM systems installed on vessels were said to be inoperable or problematic, with the remainder considered to be in operation.

“It is important to share with all stakeholders the outcome of the ABS-organised workshop on the issues and best practices with ballast water management

management systems," said ABS executive vice-president for global marine Dr Kirsi Tikka.
"When we hear directly from owners and operators, we are better able to understand the challenges in the operation of the systems, and for those systems which are operational, what practices are being followed."
It noted that the shipowners and operators faced problems related to software and hardware. There were also difficulties surrounding crew members being able to use the systems in an appropriate manner.
What is more, operators had to come up with plans for a hardware maintenance schedule and to keep adequate spare parts on board.
According to the survey, a substantial number of participants also raised concerns about the chemicals that are used to gauge residual oxidants in ballast water.
"Proper storage and handling is critical to the operation of systems employing total residual oxidant (TRO)," said ABS.
Owners also highlighted in the survey the need to develop a robust training strategy to ensure the proper and safe method of handling these BWM systems, with enhanced training and comprehensive systems manuals likely to reduce issues related to operational errors.
"This comprehensive report, based on feedback from our workshop, is an important assessment of the readiness of industry when it comes to ballast water compliance," said ABS director for environmental performance Thomas Kirk. "It is important that the practices being used successfully by some vessel owners are shared with others in the industry."

Supply-demand balance reaching an inflection point, says Pioneer Marine

by Wei Zhe Tan

@ShipShape2003 | WeiZhe.Tan@informa.com

But dry bulk demand growth expected to be only a tad better than supply

Market has come off record lows seen in 2016 overall.

NORWAY-listed Pioneer Marine noted that the supply and demand situation in the dry bulk market may have turned a corner amid China's raw materials imports.
The Singapore-based dry bulk operator said the increase in vessel earnings was anchored by continued imports of dry bulk commodities from China, with coal and iron ore imports up 12% year-on-year in the first six months of 2017. The demand there was driven by investments in the real estate sector, which grew 8%, as well as increased thermal power generation. Overcapacity was still an issue, with the global dry bulk fleet increasing 2.3% in the first half of the year to 812m dwt as scrapping activity dropped 64% year-on-year to 8m dwt in the same period.
This lack of vessel scrapping was mitigated by a 15% fall in bulk vessel deliveries to 3m dwt in the first half.
"Softening deliveries are expected to help limit bulker fleet growth, with the capacity order book currently at a 13-year low of 61m dwt, equivalent to only 8% of overall fleet capacity," said the company.

"Meanwhile, secondhand dry bulk asset prices have remained relatively stable in recent months, with sales activity somewhat subdued compared with the firm activity witnessed in the first quarter."

From an overall perspective, the market seems to have rebounded off the record lows seen in 2016, with some industry participants expecting a significant upcycle was on the cards.

But it cautioned that the market was not out of the woods yet because growth in demand may only exceed supply by a tad, which means "the impact on shipping rates is likely to be modest".

The combination of persistent vessel oversupply as well as doubts over how long Chinese import demand can continue to drive rates higher will weigh on sentiment.

Pioneer Marine posted a narrower net loss of $6.8m for the first half of 2017 compared with a $20.6m net loss in the same period last year, while revenue rose to $23.3m from $13.5m.

Time charter equivalent revenue for the first half came to $21.1m, up from $11.8m in the 2016 period, which translates to $7,495 per day versus $4,361 per day as market rates picked up.

Vessel operating expenses increased to $14.5m from $12.2m in the 2016 first half as vessels were drydocked for routine repair work.

General and administration expenses for the six months ended June 30, 2017 fell to $2.2m from $2.3m compared with last year as restructuring efforts began to bear fruit.

The company incurred $1m in restructuring expenses owing to severance payments to senior management, consulting feess, legal fees and other expenses stemming from a change in senior management at the end of May, when founder and chief executive Pankaj Khanna left the company.

"Pioneer continues to have the support of its lending syndicates and to operate successfully. With the strong balance sheet, we continue to review opportunities to further leverage our operating platform and position Pioneer to be able to take advantage of any meaningful and sustainable recovery," it said.

US imports on track to hit record high in August

by Wei Zhe Tan

@ShipShape2003 | WeiZhe.Tan@informa.com

Uptrend in retail sales leading to higher import volumes

Strong second-quarter US GDP growth underpins the robust import volumes seen so far.

US imports at major container terminals are set to reach a record high in August this year as retailers continue to do brisk business, according to the Global Port Tracker report published by the National Retail Federation and Hackett Associates each month.

"Retailers are selling more and that means they need to import more," said NRF vice-president for supply chain and customs policy Jonathan Gold.

"With sales showing year-over-year increases almost every month for a long time now, retail supply chains are working hard to keep up. These latest numbers are a good sign of what retailers expect in terms of consumer demand over the next few months."

The report noted that the ports under its coverage handled 1.69m teu in June, which is the most recent month where numbers are available, down 2% compared with May this year but 7.5% higher year-on-year.

It forecasts July imports to have risen 5.6% from the year ago to 1.72m teu.

August's expected 2.1% year-on-year increase to 1.75m teu will be the highest monthly volume since the NRF started tracking import figures in 2,000 and is set to beat March 2015's 1.73m teu number.

"The 1.7m-plus numbers seen in May and July and now expected for August and October would represent four of the six busiest months in the report's history," said the NRF.

September is likely to see a 4.7% gain to 1.67m teu, October up 3% to 1.72m teu, November down 1.4% to 1.62m teu and December 1.5% higher at 1.59m teu.

Based on these forecasts, 2017 imports may hit 19.7m teu in total, which is 4.9% higher than 2016's record volume, while volumes for the first half of the year are likely to be up 7.4% at 9.7m teu.

Retail sales on rising trend

The numbers come as total US retail sales have been on an uptrend with year-on-year growth each month since November 2009, while retail sales tracked by the NRF, excluding automobiles, petrol stations and restaurants, grew year on year in all but three months since the start of 2010. In the same period, retail employment rose by 1.5m jobs.

The NRF expects 2017 retail sales, sans automobiles, petrol stations and restaurants, to grow by 3.7% to 4.2% versus 2016 amid higher employment levels and the corresponding income growth along with lower debt levels

"Cargo volume does not correlate directly with sales because only the number of containers is counted, not the value of the cargo inside, but nonetheless provides a barometer of retailers' expectations," it said.

US gross domestic product rose by 2.6% in the second quarter of 2017, a more than twofold increase compared with the 1.2% growth seen in the first quarter, said Hackett Associates founder Ben Hackett.

"This relatively strong growth underlies the robust level of imports we have forecast and witnessed."

The port of Los Angeles, a major gateway into the US, reported a 16% year-on-year rise in container throughput volumes to 796,804 teu in July, the busiest on record.

Loaded imports for July rose 13% to 417,090 teu, loaded exports rose 17% to 154,925 teu, and empty containers rose 20% to 224,787 teu.

The optimism has spread over to South Korea's Hyundai Merchant Marine, which is considering the possibility of deploying more containerships to deal with strong demand on the Asia-US routes in the months ahead.

The flagship carrier is anticipating a shortfall in available cargo space between August to October because US retailers are expected to order more goods from China and Southeast Asia in the period, a HMM official told Lloyd's List, with freight rates being supported by healthy demand on long haul routes.

However, HMM will discuss the matter with its 2M partners, Maersk Line and Mediterranean Shipping Co, before a firm decision is made.

Small steps made towards ensuring peaceful shipping lanes on the South China Sea

by Abdul Hadhi

@@hadhi786 | hadhi.abdul@informa.com

Asean-China Framework for Maritime Code of Conduct keeps all parties at the negotiating table

CRITICS say the recent adoption of the Asean-China Framework for Maritime Code of Conduct lacks bite because it is not legally binding.

But it is a start towards a negotiated agreement where discord had prevailed earlier, and that is reason for some optimism.

The framework is a start towards a negotiated agreement where discord had prevailed earlier.

Chinese territorial claims over the Spratly Islands and much of the South China Sea overlap with the claims of countries such as Vietnam, the Philippines, Malaysia and Brunei — which are members of the Association of Southeast Asian Nations.

Straddling strategic shipping lanes, the area is home to rich fishing grounds and significant oil and gas reserves, based on an extrapolation of the mineral wealth of neighbouring areas — which is a good recipe for potential conflict. Chinese interest in the area stretches back more than 600 years, when admiral Zheng He commanded several expeditions to Southeast Asia between 1405 and 1433, resulting in a growing number of states in this region, including Malacca in present day Malaysia, paying tribute to the Ming emperor.

Slightly more than 40 years back, China took possession of the Paracel Islands from South Vietnam without much fanfare as the Americans withdrew in 1974.

But without the distraction of a major regional conflict and a war-weary world, subsequent Chinese interest in the Spratly Islands and the South China Sea has met much stronger opposition.

The Philippines even sought international arbitration. A tribunal under the auspices of the UN Convention on the Law of the Sea backed its case last year, saying China had violated the Philippines' sovereign rights.

But China boycotted the proceedings, calling the ruling "ill-founded" and has said it will not be bound by it.

That is why the Asean-China framework is necessary. It is a step forward because it keeps China at the negotiating table and formal negotiations on the code are slated for November this year.

Key raw materials

It is in China's interest to keep the South China Sea free of conflict because much of its imports of key raw materials, such as coal for electricity generation and iron ore for steel, pass through these sea lanes on their way from Indonesia, Australia and Brazil.

Demand for coal from such countries is even stronger during winter owing to extra winter heating demand and because domestic supply from north China becomes less accessible owing to snow that blocks rail tracks and even ports being blocked by ice in some years.

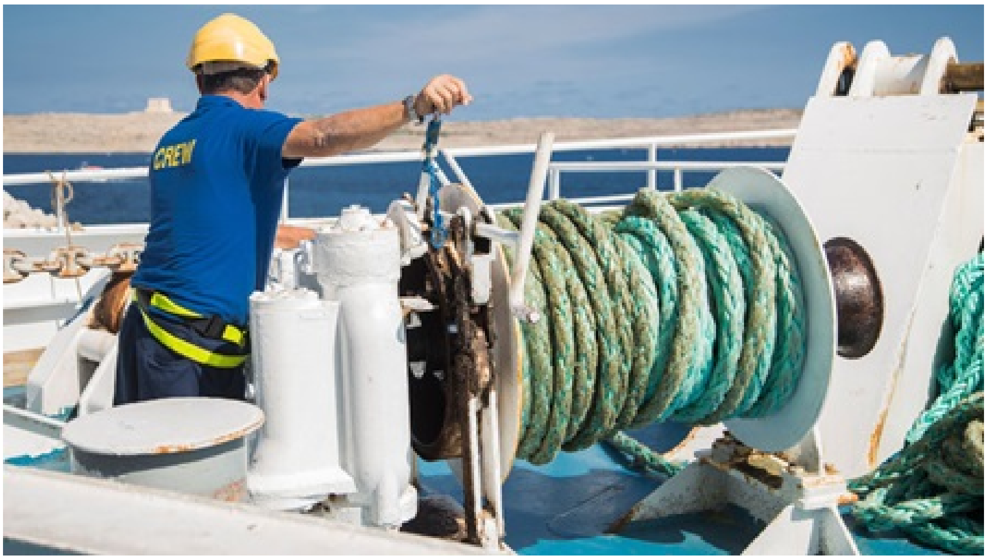
Another key factor is China's One Belt, One Road initiative in which it is investing in ports and free trade zones in countries along the Maritime Silk Road. Among the countries in which Chinese investment appears to be headed under this initiative are Southeast Asian countries such as Malaysia and Indonesia, and it will be in China's interest to keep relations cordial.

A legally binding agreement may not materialise, but keeping China engaged will ensure peaceful and profitable shipping through the South China Sea over the longer term.

A gift that goes on giving

by Michael Grey

You cannot just design ships and their equipment without considering the people who will operate them



The Alert! project has rammed home the contribution of good "human-centred" design

Source: ndphoto/Shutterstock.com

WHAT do you mean by an "effective" crew? Is it one that gets your ship from A to B and doesn't give you sleepless nights? And how do you measure its effectiveness? Southampton Solent University is conducting research into the subject and is currently canvassing views from people in the industry. They have a good reputation for worthwhile and useful research so we ought to wish them well and indeed co-operate with them should they come calling.

An industry that just about staggers along (as people used to say) on the smell of an oily rag will have very variable answers as to how effectiveness is measured in manpower terms. I believe the researchers will be looking at the way ships are manned, with attention paid to different systems of crew relief, and whether the efficiency of the ship is hampered by a complete crew change or whether they are relieved on a rolling basis. I dare say they might also look at the composition of crews in terms of a multi-national team versus one that is from a single source. Mind you, if they ask a lot of people in our industry they will be told that the main criteria is the dollar price per person per month and all else is irrelevant.

But effectiveness, if you cut through the jargon and psychology, is all about the human element and the ability of a crew to work as a cohesive, co-operative team. It is about the right amount of leadership, motivation and professionalism that can be gathered together in a small unit to do a vital job. There really shouldn't be much mystery about it, until you complicate it all by cutting crew numbers to beyond the bone, hiring people because they are cheap, rather than because they are expert and making language and culture irrelevant in your procurement processes.

If you are looking for chapter and verse on the human element you could do a lot worse than to obtain one of the recently published compendium volumes of the Alert! project and get your mind around the contents, all of which may be found online.

Operated as a project by Lloyd's Register Foundation and the Nautical Institute, Alert! began its work as far back as 2003, at a time when, at long last, the contribution of the human component to ship safety and efficiency was being taken seriously. The International Maritime Organization had made it a policy decision that henceforth, all its regulatory activity must be examined to ensure that its effect on people was positive. Classification societies, which had tended to concentrate on structure and materials (which could be measured) were also embracing the important but less measurable interface between people and ships.

Produced as a regular bulletin with a wide circulation, there were 40 issues of Alert! published between 2003 and 2016, when the project ended, although it remains as a huge and well-used archive. Under the editorship of Commodore David Squire, whose powers of persuasion appeared limitless, an extraordinary number of experts contributed their knowledge and experience to the publication in four separate series. Its website additionally provides links to a huge library of reports, videos and information on all aspects of the human element in its maritime context. The compendium recently published in a limited edition, primarily for educational establishments, provides what might be described as a hard copy directory to this large and useful archive.

People aren't machines

What the whole project dramatically illustrated as it developed was the interconnection between every aspect of the human being's relationship with the operation of ships. You cannot just design ships and their equipment without considering the people who will operate them. You can't just bung a crew onto a ship without considering the skills they will require to function properly. People aren't machines and as recent studies on fatigue have emphasised, they cannot be expected to work without remission. The project has really rammed home the contribution of good "human-centred" design, which is often been sadly lacking in the detailed design of ships, which typically has been accomplished to suit the convenience of a shipyard.

So much of the project might be summed up in the phrase "common sense and seamanship", but it has focused attention on many neglected areas. It has introduced to a marine audience the importance of Human Factors Engineering and such features as habitability, manoeuvrability, workability, maintainability, controllability, security and survivability, the regulatory weight of occupational health and safety and indeed the safety of systems.

It has continually emphasised the importance of people, who are more than "resources", looking at recruitment, manning and education and training issues. It has valuable information about the social environment, ways of working and the (now fashionable) issues of health and wellbeing. It is no exaggeration to suggest that Alert! has led the debate in many of these areas, which have tended to be ignored, or suppressed, in former times.

The project probably ended because most things had been said and there was no point in repetition. But it is striking, looking back as far as its earliest issues, to note how much remains entirely relevant to safety and the day-to-day design and operation of ships. Anyone wishing to learn about "effective" crewing ought to find plenty of pointers for their research within this archive, with some 250 very relevant papers available online.

The project began as a result of a conversation between LR's Vaughan Pomeroy, now visiting professor at Southampton University, and the then secretary of the Nautical Institute Julian Parker. It has been a hugely useful contribution to marine safety, better ship and equipment design and a changing safety culture. Thus, *www.he-alert.org* is a gift that goes on giving.

rjmgrey@dircon.co.uk

Classified

ADMIRALTY COURT SALE

Supreme Court, Gibraltar.

MV "ZARECHENSK"

Bulk Carrier

(Marshall Islands Flag)

Auction Date Tuesday 29th August, 2017.

DWT:	Abt 32,808 mtons on 10.15m
Built:	2009 by Nanjing Dongze Shipyard PRC
Class:	BV I ✠ Hull ✠ Mach Bulk carrier CSR BC-A (maximum cargo density 3.00 t/m3; holds No. 2, 4 may be empty) ESP GRAB [20] ✠VeriStar-HULL, ✠ AUT-UMS (SS), MON-SHAFT, INWATERSURVEY
IMO No:	9459395
Dimensions:	LOA 179.90m, Beam 28.40m, Depth 14.10m
Capacity:	43,344.20 cbm cargo
Holds/Hatches:	5 / 5 MacGregor covers
Propulsion:	MAN B&W 6S42MC, 8804bhp at 136 rpm MCR
Auxiliaries:	3 x MAN 5L16/24
Gear:	4 x 30.5 mtns SWL

Lying Gibraltar and is to be sold by Private Auction "as is, where is" at the time of Sale and on the Admiralty Marshal's Conditions of Sale. All offers must be submitted as per the Marshal's Conditions and which to be received at the offices of :

Howe Robinson Partners (Gibraltar) Ltd.,
Suite 4, 3rd Floor, Leon House, 1 Secretary's Lane, Gibraltar,
(Phone: +350-20075480 / e-mail : hrp@gibtelecom.net)
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by latest noon Gibraltar Tuesday 29th August, 2017.

The above particulars are given in good faith and no responsibility can be accepted for their accuracy. Purchasers must make and rely upon their own enquiries.
For arrangements to view the vessel, plans, Conditions of Sale, bid form etc., please visit our website www.hrpauctions.com (then click on 'Auction Listings') or apply to our London Agents:

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