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Every aspect of shipping must be digitalised

The Lloyd's List Business Briefing panel were charged with "cutting through the digitalisation hype'" and providing clarity on the hot-button topic.

Experts believe digitalisation must be far-reaching, but will take much longer than the industry expects

DIGITILISATION has dominated shipping discourse in recent months, and while it will certainly bring about change and drive the industry in a new direction, it will not occur overnight, *writes Linton Nightingale*.

That was the message delivered by a panel of experts at the Lloyd's List Oslo Business Briefing held on Monday afternoon.

The panel were charged with "cutting through the digitalisation hype" and providing some much-needed clarity on this hot-button topic.

Stenna RoRo chief executive Per Westling said that to navigate this digital journey successfully, no stone could be left unturned; every aspect of the industry must become digitalised.

"And the bad news is that we have to do everything at the same time," he said.

"We can't not optimise the vessels, we can't not leverage all the data and we can't then not look at the fleet or the supply chain to generate information sharing.

"Change of this scale takes much longer than you'd expect, but it will be much bigger when it comes."

V.Group technical director Andrea Zito was equally cautious of immediate change.

"When you cast your mind back to when automation came to the fore in the 1980s and 1990s everyone spoke of this revolution, in which machines would take over from humans," he said.

"But of course even 30 years on we still have people on our vessels and manning our rigs."

DNV GL maritime chief executive Knut Ørbeck-Nilssen admitted that there was a lot of fluff and hype surrounding the digital furore, but he said there was no denying its potential.

"The digital transformation is upon us and the question is, who is ready to ride the wave of big data and interconnectivity, cloud-based computing, and who is ready to disrupt and who will be disrupted?"

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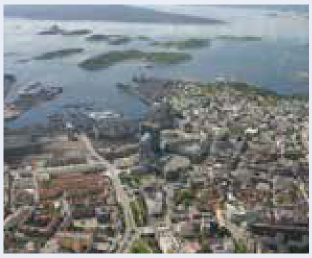

Nor-shipping 2017

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"Digital information about ships and their systems is becoming more accessible, data streams are growing exponentially, automated and integrated information flows will become cost threats and data will increasingly replace experience."

Nevertheless, Mr Westling also said that despite this massive potential he was worried that some companies were taking too much notice of the digital strategies of their competitors.

"I am a little bit worried about companies fearing that everyone else is doing a lot and going off and making big investments," he said.

"They might be a little bit rash when it comes to blockchain and other technologies that are important to the supply chain.

"But it is important we compete and collaborate together, as it is not always about having the best and shiniest technology to take us where we want to go.

"We have to try to navigate our way and find the right path and this will take time."

Capitalising on data takes knowledge and trust, says DNV GL

World's largest classification society highlights data challenges as a digitalisation-focused Nor-Shipping gets underway

DNV GL executives presented their take on the rapid digitalisation of the maritime industry..

KNOWLEDGE and trust are key to making the most of data in the maritime world, according to the world's largest classification society, *writes Anastassios Adamopoulos*.

Analysis of data can lead to commercial benefits through real time analysis of vessel performance data to increase efficiency, condition-based monitoring of equipment to reduce operation costs, and analysis of trading patterns to improve the efficiency of logistics chains. Such projects are not without their challenges, however.

At an event ahead of Nor-Shipping, DNV GL chief executive Remi Eriksen said that an extensive lack of knowledge was the main barrier to unlocking the value of data.

Data owners often do not know the origins of the data, the context out of which it was born, or the legal and contractual obligations attached to the data.

There are further challenges around digital platforms that share data from multiple sources and companies.

It is commonly accepted that building trust among stakeholders and data owners will be a key factor for their success.

Aside from trust in each other, stakeholders must trust the technology and the results it yields as well, Mr Eriksen added.

"We have to trust the sensors generating the data, we have to trust the way data is stored, we have to trust the people and partners that have access to the data and we need to trust the algorithms that make sense of the data," said Mr Eriksen.

During the more than 30 sensor technology pilots conducted by DNV GL there were issues with the quality of the data collected that may not necessarily stem from the sensors themselves, but from the way they were coded or tagged. In one case only 60% of the data collected was useable.

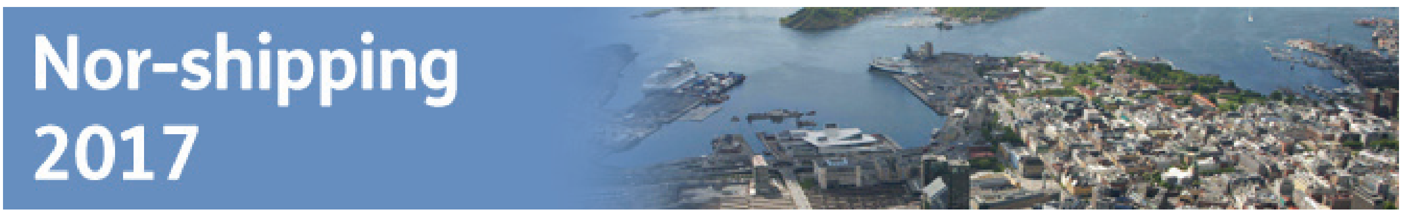
Despite this challenge, Mr Eriksen believes that as time goes by these issues will be resolved.

DNV GL is currently testing its own digital platform, named Veracity, having run a pilot for the past 18 months with NYK Line and an undisclosed original equipment manufacturer.

In the trial, operational data was captured and stored into the platform.

Stakeholders then explored how to best access the data and assess the quality, as a test for using data to determine future functions such as condition-based maintenance surveys.

Some of the results of the Veracity trial will be revealed later this week.



Partnerships and sharing at the heart of digitalisation

Panellists discussed connecting the industry, making use of data and adapting regulation to account for the new digital industry.

Potential benefits of IT innovations are huge but it won't be easy to get everyone on board

SHIPPING companies will have the chance to adopt blockchain technology to ensure integrity of transactions and efficiency of workflows, which could result in significant cost reductions, *writes Max Tingyao Lin*.

However, getting relevant stakeholders such as peers, employees and maritime authorities on the same page won't be easy, according to a panel of speakers at the Lloyd's List Oslo Business Briefing

While blockchain, and other types of information technology innovations, could theoretically allow the shipping industry to create an information-sharing platform within maritime transport and beyond, the first step would be finding the right partners to share, some of the panel suggested.

But sharing commercially sensitive information in general is not something to be taken lightly, not to mention the issues surrounding intellectual property.

"It's about how you in the maritime industry are to find the right partners," Ericsson's vice-president in global maritime services John Taxgaard said. "It's about how the whole logistics chain is to be connected together."

But the potential benefits in utilising the data could be huge, said IBM's head of global trade digitalisation deployment Norbert Kouwenhoven.

"The whole point is about sharing data in the supply chain," said Mr Kouwenhoven, whose company formed a partnership on blockchain technology with Maersk Line in the most high-profile deal of digitalisation for shipping this year.

Challenges ahead

The tie-up with Maersk Line, the world's largest box carrier, is aimed at creating economies of scale on the supply chain. "It's about creating the volume," Mr Taxgaard said.

But he also admitted that there are challenges ahead for blockchain to reach its full potential. One of the benefits for blockchain is the ability to carry out paperless transactions, but today it is mandatory to provide paper documents to the authorities, Mr Taxgaard said.

Moreover, when a company launches a new initiative it is best to get its employees on board. But digitalisation is often linked to job losses as new technologies are often able to perform tasks that would previously have required a human worker.

The important thing would be "how to make things positive for everyone involved," said Svend Lykke Larsen, Marlink's sales and business development director. "We are also a people's industry."

Thorsten Meincke, Kuehne+Nagel's senior vice-president of global seafreight, suggested shipping industry participants would serve themselves better by putting things into perspective.

Technological progress has had an impact on shipping for years even though the process was not always "linear," he said.

Mr Meincke pointed out that the latest wave of digitalisation seems driven by business-to-business dotcoms and investors with little experience in shipping, rather than consultancies and the media as in the past.

That could result in too much hype. "It's time to go back to reality," he said.

Japan's shipbuilders worry over price wars and government support abroad

SAJ and JSEA head wants fair competition as newbuilding markets bottom

Murayama: We fear Chinese and Korean yards may attract orders at prices far below the construction cost.

JAPANESE shipbuilders are worried over potential price wars and government support amid consolidation efforts in China and South Korea, yet their competitiveness could be enhanced by tightening environmental regulations, according to a top official, *writes Max Tingyao Lin*.

Newbuilding demand and prices have shown signs of bottoming since the beginning of this year, having spent much of 2015 and 2016 in the doldrums.

Clarksons data suggested total contracting amounted to 10.8m dwt in January-April 2017, still weak but up 8% on year, mainly boosted by strong ordering of tankers.

Shigeru Murayama, president of Japan Ship Exporters' Association, said he was concerned that Chinese and South Korean shipbuilders could use low contract prices to lure shipowners into filling their slots.

"We fear Chinese and Korean yards suffering a drop in order backlog level may attract orders at prices far below the construction cost," said Mr Murayama, who also chairs the Shipbuilders' Association of Japan and Kawasaki Heavy Industries.

"Since ships of every type are priced at attractive levels for shipowners, we cannot exclude the possibility of speculative order placements in anticipation of a market recovery," he told Lloyd's List in an exclusive interview during the Nor-Shipping week.

China and South Korea have experienced large consolidation efforts among their shipyards over the past years, with second- and third-tier yards squeezed out but large, state-linked conglomerates remaining.

Commenting on the development, Mr Murayama emphasised the importance of market rules in consolidation but stopped short of making any direct criticism of individual yards.

"If this development means good use of the strength of each individual company, there is no problem," Mr Murayama said. "But if the government or any public body is really supporting survival of companies that deserve weeding out, we very much regret [that]."

Respect judgement

In Japan, even as there are cases of consolidation such as Japan Marine United and Namura Shipbuilding, many family-run small players remain. The ones that are reducing the scale of shipbuilding business are industrial giants KHI and Mitsubishi Heavy Industries.

"Every shipyard is groping for a way to survival... whether business consolidation is advisable or not is something to be left to the discretion of the companies concerned, and I think we have to pay respect to the judgement of each," Mr Murayama said.

Japanese yards received newbuilding orders totalling 900,000 dwt in January-April, versus 3.8m dwt contracting in China and 4.6m dwt in South Korea, according to Clarksons.

However, with stricter International Maritime Organization environmental regulations taking effect, such as the ballast water convention this year and the new global sulphur cap in 2020, Mr Murayama said Japanese yards would seek to stay competitive with their capability in ecoships.

Having expected the regulations to trigger further newbuilding demand recovery from 2018, Mr Murayama said Japanese yards should specialise in environmental friendly ships "which are cost-competitive and embody Japan's excellent... technology".

"The fundamental posture of the Japanese shipbuilding industry is to differentiate itself from competitors with technical excellence by appropriately meeting environmental controls and improving fuel efficiency and to attract orders at decent prices."

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What Japanese shipyards wanted from the government was to help establish a level playing field in international markets, Mr Murayama said. Japanese and German industry officials have called for new global shipbuilding rules at the Organisation for Economic Co-operation and Development level, after South Korea's Daewoo Shipbuilding & Marine Engineering received yet another bailout package mostly sponsored by state-owned entities.

While refraining from directly commenting on DSME, Mr Murayama said continued market distortion should not be allowed, "as the rules of World Trade Organisation set forth". He added: "I hope that Japanese delegates discuss such problems with their foreign counterparts in the OECD working group for shipbuilding and establish a healthy shipbuilding market where fair competitive conditions are not distorted."

Technical standards

As for IMO environmental regulations and technical standards, Mr Murayama suggested he preferred a multilateral approach in terms of participation in discussions.

While Tokyo should continue to lead the discussions over IMO rules based on the Japanese shipbuilding industry's status, the Active Shipbuilding Experts' Federation should also have a voice, according to Mr Murayama.

ASEF, of which Mr Murayama is a former chairman, is a non-governmental organisation whose members are national shipbuilders' associations of China, Japan, South Korea, India, Indonesia, Malaysia, Sri Lanka, Thailand, Turkey and Vietnam.

The NGO has applied for consultative status in the IMO this March and aims to provide a technical advisory role from shipbuilders' views from next year. The Community of European Shipyards Associations has enjoyed such a status.

"The routine observation of the shipbuilding industry can perhaps be characterised as bitter experience of repeated severe international competition," Mr Murayama said.

"[But] it is very important for the shipbuilding industries to co-operate to share the awareness of various problems and to properly address the issue of more complex maritime regulatory issues on the basis of their extensive experience and to propose practical solutions."

Weighing up Noble Group

Any default could impact on sentiment in the dry bulk market, which is showing signs of recovery

Noble blamed a $129m first quarter loss on using a coal pricing benchmark which did not reflect market fundamentals.

THE shares of Hong Kong-based and Singapore-listed commodities trader Noble group have fallen 27% over the past week to their lowest level since the year 2000 as a ratings agency raised concerns over its debt profile, *writes Inderpreet Walia*.

Noble's woes have definitely left its shareholders much poorer but a potential collapse may also hit sentiment in the dry bulk market, which has been showing continued signs of recovery over the past months.

Investors' concerns stem from ratings agency S&P Global flagging the risk of Noble defaulting on its debt within a year, and downgrades by other ratings agencies on similar concerns.

"The negative rating outlook reflects the potential that Noble's cash flow and profitability will remain weak for the next 12 months, with the risk of nonpayment of its debt obligations due to weakened access to funding," S&P said in a statement.

Fitch also downgraded Noble and said that the continuous negative news about the company and resultant weak sentiment is likely to make refinancing negotiations more difficult than it expected. The setbacks spooked the market at a time when Noble is in talks with banks to renew a debt facility that expires next month.

Fitch expects banks to rollover a large part of the of the debt facility and Noble has enough liquidity for the short-term – six months or so. But after that – "it is anyone's guess," said a Singapore-based credit analyst.

Investors and counterparties have about half a year to assess their dealings with and investments in Noble.

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Apart from debt, Noble is also having a rethink about how it handles transactions in the coal market. It blamed a $129m first quarter loss on using a pricing benchmark which it said did not reflect market fundamentals.

Reports that Sinochem, a Chinese state owned conglomerate that was once interested in buying a stake in Noble, had lost interest in a deal further affected the market's view of Noble.

Noble has faced concerns about the transparency and accuracy of its balance sheet, fighting a long battle with a secretive stock research group called Iceberg which began raising questions about the company's accounting policies, including the value Noble Group places on some of its long-term commodity deals.

According to Lloyds List Intelligence, since Iceberg's first report questioning the value of Noble Group's assets, the company has seen its share price fall 81%, lost its investment-grade credit rating and has reported $1bn of impairments.

The direction of Noble's share price in the coming days and further news announcements should reveal whether these risks outweigh the opportunities and keep the company afloat.

Ports boost vigilance amid security threats

US Coast Guard ups vigilance for Memorial Day weekend; Jakarta and Mindanao ports stay open amid security threats

Entrances to the port of Felixstowe had been heightened in the wake of the terrorist attack in Manchester last week.

THE US Coast Guard has increased its presence in the ports and waterways of northern New England for the duration of the Memorial Day weekend, in light of the recent terrorist attack in the UK, according to shipping agency Gulf Agency Co, *writes Eric Yep*.

The increased vigilance may include increased patrols, random escorts of high-passenger vessels, and other visible deterrents, even though there is no immediate specific maritime threat in the northern New England port areas, GAC said, citing a port security information bulletin dated May 26.

The bulletin said vessel, facility, and company security officers should "review their security plans to maintain awareness of possible threats and vulnerabilities, verify that security measures are in place for MARSEC Level 1" and be attentive to possible weaknesses in their security programmes.

The coast guard said that industry personnel should remain alert while conducting daily operations, especially near large public gatherings throughout the holiday weekend, review reporting procedures and ensure that suspicious activity is reported in a timely manner.

Separately, the security threat level in the UK was been reduced from critical to severe over the weekend, where critical means that an attack is imminent and severe means an attack is highly likely. Security measures at UK ports had remained largely unchanged when the threat level was at critical.

However, GAC said security at the entrances to the port of Felixstowe had been heightened in the wake of the terrorist attack in Manchester last week and vehicles were searched to verify occupants and baggage. It said the measures were likely to remain in force for some time.

In Asia, bomb blasts in Jakarta and heavy fighting between security forces and fighters linked to the terrorist organisation ISIS in the Philippines have raised concern in the maritime community.

So far, port services including the harbour master, customs and immigration in Jakarta were open and working as normal, unaffected by a double bombing at a bus terminal that killed three police officers and injured another 10 people on Wednesday evening.

The situation in the Philippines is a lot worse, with President Rodrigo Duterte declaring martial law for 60 days on the island of Mindanao, where land-based terrorists have been linked to heightened piracy attacks in the nearby Sulu Sea.

Vessels bound for ports in Mindanao should exercise caution and contact their P&I Club or the local agents for the latest updates, maritime security consultant Gray Page said.

Handysize earnings soften as demand ebbs

Chinese holidays to push rates further down

HANDYSIZE bulker earnings have taken another plunge on the Baltic Exchange over the past week with the weighted time charter average falling to $6,833 a day on Friday, down 6% over the week, *writes Inderpreet Walia.*

The corresponding index dropped to 469 points from 502 on May 19, weighed down by a lack of fresh cargoes in the market.

“Chinese imports and exports were reduced drastically, which caused freight rates to lessen further and shipowners were thunderstruck and left without strength to fight back,” Gulf Maritime brokers said.

Meanwhile, the oversupply of tonnage in Black Sea and Mediterranean areas added to the burden on shipowners, which caused extra drainage for freight levels, the brokerage added in its weekly report.

The HS1 Skaw-Passero to Rio de Janeiro-Recalada and HS2 Skaw-Passero to Boston-Galveston trips were the hardest hit, dropping by 14.4% to $5,700 per day and by 11.6% to $5,917 per day respectively.

“Rates have been coming down steadily for the past days. We expect more of the same through the beginning of this week due to holidays in China,” said a Singapore-based broker. The Dragon Boat Festival holidays in China stretch over May 28 to May 30.

Four spot trades were reported in the week — the highest being at $14,000 per day from US Gulf to west coast central America, and second-highest at $12,7500 per day to Peru, according to Clarksons data.

Other fixtures included 2011-built, 35,300-dwt *The Faith* fixed for a trip to the US Gulf with delivery Continent at $7,000 per day, with steel.

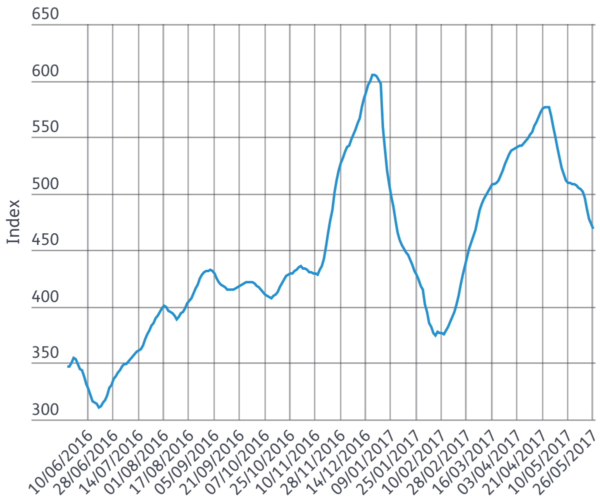
The period market remained quiet with no new deals reported.

In the secondhand market, the 2005-built *Acacia Bulker* was sold for $7.3m, according to VesselsValue, while the 2007-built *New Dynamic* changed hands at $9.2m.

BHSI

Baltic Exchange Handysize Index

May 26, 2017



Highest: 605 19/12/16 Lowest: 311 17/6/16 Latest: 469

Source: Baltic Exchange

Capes underperform smaller bulkers

CAPESIZE bulkers’ spot earnings have held firm on China’s iron ore imports ahead of the Easter holidays even as the disruption of coal exports from Australia hurt vessel demand.

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Iranian fishing vessel may be destined for use as pirate mothership

Hijacked dhow is reportedly being prepared by armed men for operations off the Somalian coast

AN Iranian dhow, or fishing vessel, hijacked over a week ago is being prepared for use as a mothership for piracy operations off the coast of Somalia, according to enforcement agencies, *writes Eric Yep.*

The Iranian fishing boat had allegedly been seized on May 23 in the vicinity of Caluula, Puntland and a local source had informed authorities about armed men on the vessel intending to use it for piracy, anti-piracy agency UK Maritime Trade Operations said in its weekly report.

The agency said it was unable to validate the reports of armed men, but aerial reconnaissance by the European Union Naval

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Force, or EU Navfor, on May 25 showed that the dhow was no longer off the Caluula anchorage. Its current whereabouts are unknown.

"Ships transiting the area are advised to increase vigilance and proceed with extreme caution," the agency said, adding that the vessel is an Iranian style fishing dhow with a brown wooden superstructure and blue and white wheelhouse.

"When coming across dhow traffic in the Gulf of Aden, merchant ships should be wary of any dhows with skiffs in tow or launching from a dhow when coming within range of a ship," maritime security firm Gray Page said in an advisory.

Aerial reconnaissance by EU Navfor on May 25 showed that the dhow was no longer off the Caluula anchorage.

OOCL boosts intra-Asia network with two new services

Container shipping line adds services in Southeast Asia amid signs of rising demand

Ahead of the latest OOCL services, at least eight new intra-Asia services have been launched this year by shipping lines.

ORIENT Overseas Container Line is adding two new services in Southeast Asia, joining a growing number of shipping lines launching new regional routes amid signs of continued trade growth in the region, *writes Abdul Hadhi*.

To enhance its intra-Asia network, OOCL is introducing the Indonesia Thailand Straits Service and Vietnam Johor Straits Service.

Effective from May 3, the Indonesia Thailand Straits Service is a direct service between Thailand, Singapore, Malaysia and Indonesia. The port rotation is Port Klang in Malaysia, Singapore, Semarang and Surabaya in Indonesia, Bangkok and Laem Chabang in Thailand and back to Port Klang.

The Vietnam Johor Straits Service, meanwhile, is effective from June 11 and provides direct services between north Vietnam, Singapore and Malaysia. The port rotation will be Port Klang, Singapore, Pasir Gudang in Malaysia, Haiphong in Vietnam, Pasir Gudang, Singapore and back to Port Klang.

A growing number of shipping lines have introduced new intra-Asia services this year. Research counts at least eight new intra-Asia services being launched so far this year with newcomer SM Line at the forefront, while the shrinking idle fleet and resurgence of the charter market is also a sign of renewed demand for ships within Asia, analysts Drewry said in a recent note.

The close proximity, fast-growing economies and manufacturing bases made the outlook for container volumes within Asia far rosier than in some other regions, some of which were sending mixed signals about their commitment to trade, Drewry added.

Analysts expect intra-Asia trade growth to continue to grow and even match the main trade lanes in the future in terms of volumes. First-quarter trade lane figures show container trade within Asia rose by 23.5% year on year to 10.8m teu, following almost no growth in 2016, with Chinese trade to and from Southeast Asia showing the largest rise, of 36% to 3.4m teu.

The economies of China, Vietnam, Malaysia and Indonesia will all consistently see growth in gross domestic product in the region of 6% per annum over the next five years, according to the International Monetary Fund's World Economic Outlook.

Singapore Shipping reports 27.5% rise in fourth-quarter profit

Shipowner expects to be profitable in the current year and is exploring acquisitions

The group owns six roro vessels including the *Sirius Leader*.

SINGAPORE Shipping Corp reported a 27.5% year-on-year rise in net profit to $1.6m for its fiscal fourth quarter ending March 31, 2017 due to lower costs and improving market sentiment, *writes Abdul Hadhi*.

Building on the fourth quarter performance, the Singapore-listed shipowner said it expects overall performance in the fiscal year 2018 to be profitable.

And with an increasing cash position, the group said it was evaluating acquisition opportunities. A stable recurring income from long time charters have been building up its cash position. Even after accounting for a $1.7m decrease in cash and cash equivalents due to repayment of bank borrowings and dividend payments, the company still has $11.4m in cash.

However, Singapore Shipping Corp's agency and logistics business continues to face weak rates and cargo volume due to the current depressed shipping industry.

The fourth quarter gain was not enough to offset weakness in earlier quarters. For the full year, the shipowner reported a 10.8% fall in net profit to $8.55m from $9.59m on a 3.3% decline in revenue to $43.5m from $44.9m. For the fourth quarter, revenue declined 6% to $10.3m.

The company owns six roro vessels, comprising the 1999-built *Boheme*, the 2000-built *Sirius Leader,* the 1993-built *Cougar Ace*, the 2004-built *Capricornus Leader* and *Centaurus Leader*, and the 2015-built *Taurus Leader*.

It also has a shipmanagement arm as well as shipping agency and terminal operations, and logistics services businesses.

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