

MASSA Outreach

April 2019





Capt Prashant Rangnekar



This year marks 100 years of Indian Shipping. 100 years in which Indian shipping started with baby steps and then giant steps to establish herself as a major nation for supply of quality officers and crew to the shipping companies of the world. The National Maritime Day celebrations also reflect India's strides during the past 100 years. This year significantly marks 100 years of Scindia Steam Navigation (SSN)- India's first Shipping company and owner of India's first ship SS Loyalty to set sail to foreign land (UK). The National Maritime week culminating into National Maritime Day will aptly reflect the importance of this silent industry.

E-Immigration system seems to have had a very good impact on data collection and there is a much better interface with the government now. A significant increase in seafarers joining ships in 2017 indicates the effectiveness of the Government's initiatives taking shape. More than 2.0 lakh Indian seafarers joined vessels, which notionally translates to roughly 10,000 fully manned ship equivalent. These figures are likely to improve further as placement of seafarers gets more regularised and documented, bringing in more transparency in engagement of seafarers. We still have a long way to go in way of sustaining

quality and catching up with other competing seafarer supply nations.

Another aspect that has got the importance it deserves is "Human Rights at Sea". This was the first time that a State (India) has recognised and been engaged in the emerging 'Human Rights at Sea' concept and the surrounding debate organized by FINS (Forum for Integrated National Security) on the 28th February was a step in the right direction to stop abandonment of seafarers and criminalization of seafarers in the country.

The coming Quarter is also the fore runner to the Cricket world cup in England, which will be hugely followed by Indians all over the world. I hope that we bring back the cup to India and that this years IPL unearths some more talents that will ensure India's stay at the top of the ICC table.

And then there are the Elections. The worlds largest democracy goes into electoral frenzy over the next two crazy months.

Lets hope India and Indian Shipping gets the best possible government to keep us marching forward seamlessly.

As the country gets ready for the 5 yearly polls, the dance of democracy has begun.

And we get ready to celebrate 5th April- the National Maritime Day! However, this years event is with a difference- it will be 100 years since sailing of the SS Loyalty. The event is important from Indian perspective, as it marks the advent of the true spirit of Maritime adventure. Four like minded Indian businessmen got together, and against all odds, not only started an Indian shipping company but managed to sustain it against all powerful established businesses, which had total patronage of the powers that be, at the time. They did not have cargo preferences, no favours for Indian bottoms and no protection of any kind. Yet they flourished and went on to establish a maritime business, which even today, is looked upto in admiration. Wonder if there is a lesson to learn for the present Indian ship owners, on how business should be done!

The Maritime world is now gradually getting their focus on revision of STCW 2010, and some inputs have started coming in, by way of demands from the Industry. So, the dance of democracy, of a different kind, will be choreographed in the Maritime Training world. Our Administration will need to do a tightrope walk. On one hand, the statistics firmly show that India is a major supplier of manpower to the world with 87% of all active seafarers serving on foreign flag ships, on the other, they need to collar the Training Institutes to provide quality education and training. The Industry and the Administration have started taking the steps in the right direction which will hopefully bear fruit in the near future. The slogan needs to be 'Quality seafarer in defined period of time'. To maintain the edge the Indian seafarer has in the global market, the Administration will need to consider the minimum standards they wish to



Capt S M Halbe

espouse. Should it be STCW or STCW+++? The Industry and professional bodies, and above all- the maritime trainers, will have a large say in what the product will be.

There seems to be no respite from the debate "whether Scrubbers are to be used or not" to meet the emission control norms set for 1st January 2020. Frankly, as a seafarer, it is very disappointing to note that a hundred or more wise men could not agree on the method of achieving the set goal. Then why blame the poor seafarer for every little breach of rules? Will the debate and outcome thereof fall under the category of 'Human Element'? IMO should do better. They owe us that.

By the time the next edition of Outreach is circulated, we would have had a new Government in power and MASSA would have moved to new (smart) premises.

Waiting with excitement for both events!!

Capt S M Halbe
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56th NMDC commemorates 100 years of the historic voyage of SS Loyalty

April 05th 1919 marks a red-letter day for Indian maritime fraternity, as it celebrates National Maritime Day – when SS Loyalty, the first ship of The Scindia Steam Navigation Company Ltd travelled on its maiden voyage from Mumbai (then Bombay) to London. This year bears a special significance as India celebrates 100 years of the first sail of SS Loyalty and 56th edition of the National Maritime Day titled – ‘100 years since SS Loyalty’. The week long celebrations began from March 29th and culminated on April 5 at the YB Chavan Auditorium.

In his address, Mr Amitabh Kumar, Director General of Shipping (In-charge) commented, “SS Loyalty represented not only the swadeshi movement, but initiated the beginning for modern

shipping. India now has 43 shipping companies owning 1,401 ships with a combined 12.69 million gross tonnage’ as of December 2018.”

The Directorate General of Shipping took this opportunity to inaugurate their online modules. And doing the honours was Mr Sanjay Bhatia, Chairman, Mumbai Port Trust who launched Seafarers Identification document (SID) – a smart card, which is first of its kind in the world; it is fully secured and biometric card without the threat of security. He then launched 5 online module certificates namely; issue of Certificate of Competency; Watch keeping Certificate; Recruitment and placement services – where seafarers’ rights will be protected; Certificate of Proficiency for tanker operations and INDOS Module.

Enlightening on the rich Indian Maritime History Mr Bhatia said, “We have a great history, now we need to learn from history for our better future.” On the Sagarmala projects, he informed that 502 projects worth 8 lakh crores are underway. “My dream is to make the Mumbai Cruise Terminal, so that, it can handle 700 ships a year,” added Mr Bhatia.

Admiring the vast Indian Maritime History was Guest of Honour, Paul Jennings, North of England, P&I Club, and Chairman of International Group of P&I Club said, “India is recognised as quality supply of seafarers, they are sort after by the big companies around the world.”

Every year the NMDC (Central) Committee recognises the contributions of the doyens of the industry and honour them with the NMDC Awards. This year’s winners are as follows:-

NMD Award of Excellence

Capt Anoop Kumar Sharma

Outstanding contribution to maritime education and training

Capt Krishnamurthy Iyer

Best Foreign Employer of Indian Seafarers

Anglo Eastern Ship Management (India) Pvt Ltd

Most Compassionate Employer of Indian Seafarers

The Shipping Corporation of India Ltd

Anglo Eastern Ship Management (India) Pvt Ltd

Gallantry Award

Capt Lalit Dhabas

Capt Chetan Chug

Eminent Overseas Maritime Personality Award

Capt Savraj Mehta

The organisers took the audience down memory lane by showing them special films on the SS

Loyalty’s maiden voyage and glimpses of the various NMD celebrations over the years. Mr Surinder Pal Singh Jaggi, Chairman, NMDC (Organising) Committee proposed the vote of thanks and appreciated the efforts of the designated individuals involved in planning and executing the various events all through the week, and the active participations of the industry.

A brief synopsis of the week long celebrations

Maritime Sports Festival – 30th March

For the first time a sports meet was conducted by NMDC (organising) Committee at RCF Krida Sankul Sports Complex. Capt KP Jayakumar, Nautical Advisor to the Govt of India and Principal Officer, MMD, Mumbai, inaugurated the festival. He said, “The committee should organise such sports event every often and not only during NMDC, this will encourage the cadets and other staffs to interact and know each other.” He also advised the participants to play with good spirit. Capt H Subramaniam, Capt Anshul Rajvanshi, Managing Director, Synergy Maritime Recruitment Services Pvt Ltd, and many others were present at the event. More than 500 seafarers and cadets from several companies and institutions participated in different sports such as Box Cricket, Football, Volleyball et al.

Winners of the Sports Meet

Box Cricket – TS Rahaman

Football – IMU Port Campus

Volleyball – BP Marine

Table Tennis – Shipping Corporation of India

Badminton – Anglo-Eastern Maritime Academy

Tug of War – National Union of Seafarers of India

Team building Game – IMU, Navi Mumbai

The championship award was won by Anglo-Eastern Maritime Academy and was awarded with the cheque of Rs 15000. In addition, the Runner-up team TS Rahman was handed over with the cheque of Rs 10000.

Protect our Oceans – A pledge by seafarers – 31st March

The NMDC members along with the representatives of shipping organisations and unions gathered at Dadar beach to pledge to protect the oceans. The industry demonstrated an active participation in cleaning the beach. The campaign was led by Mr Amitabh Kumar along with industry seniors, government officials, NMDC Committee members, cadets, seafarers, officers and representatives from shipping organisations. Joining hands were the members of various shipping unions like MUI, NUSI, FSUI, and MNS along with members of associations like FOSMA and MASSA.

Cadets from Anglo Eastern Maritime Training Centre and BP Marine were also present in huge numbers. All the participants enthusiastically assisted in removing sea garbage mainly plastic and other pollutants at the beach. An oath was taken not to dump garbage in the sea, and to get into the habit of segregating dry and wet garbage and keep beaches clean. Mr Abdulgani Serang, General Secretary, NUSI also announced NUSI's donation to buy a truck to ease up and facilitate faster cleaning operations.

The need to conserve and protect the marine resources while working to change the systems and practices that caused its present destruction was the motto of this initiative. The factors affecting the health of our planet's marine resources continue to increase exponentially. This initiative highlighted the importance of marine conservation and the shared responsibility we all have to protect our oceans and their inhabitants.

Plaque to commemorate 100 years of SS Loyalty – 1st April

An historic event was held at Mumbai Port Trust to commemorate 100 years of SS Loyalty's first maiden voyage from Mumbai (then Bombay) to London. A plaque was unveiled by Chief Guest Mr Sanjay Bhatia, Chairman, Mumbai Port Trust along with Mr Yashodhan A Wanage, IRS, Deputy Chairman, Mbpt, Mr Amitabh Kumar, Director

General of Shipping, Capt Anoop Kumar Sharma, Chairman and Managing Director, The Shipping Corporation of India. Mr Surinder Pal Singh Jaggi, Chairman, NMDC (Organising) Committee welcomed the gathering.

Capt Sharma and Mr Kumar spoke about the glorious journey of SS Loyalty. "Now the time has come to learn from the history and to take it farther," said Capt Sharma. Mr Bhatia announced, "After 100 years of India's first passenger-cum-cargo vessel, a new cruise ship will be launched on 19th April known as 'Karnika' Cruise." Mr Bhatia made announcements about future planned projects by the Government for the development of Cruise terminals and coastlines through Sagarmala.

Mr Jaggi thanked all the supporters and said, "As we celebrate the 100 years of this great milestone of Indian Shipping, we must acknowledge the pioneering work done by our forefathers."

Medical Camp and blood donation drive – 2nd April

A free medical camp was organised for seafarers at the Indian Sailors Home, Masjid, Mumbai. The camp was inaugurated by Mr Surinder Pal Singh Jaggi, Director (Personnel & Administration), The Shipping Corporation of India (SCI) and the shipping veteran and Varuna Awardee Capt Sood. Also present were the representatives of National Union of Seafarers of India (NUSI) – Mr LP Vimalson, Assistant Secretary and Mr Milind Kandalgaonkar, Organising Secretary.

The camp aimed to promote the need to lead a healthy lifestyle. A blood donation at the Sailor's Home complemented the medical camp. The blood donation camp was set and organised by Mumbai's Indian Red Cross Society Centre for kids suffering from Thalassemia.

Seminar on 100 years since SS Loyalty – 3rd March

To discuss the future of the Indian Maritime industry, a seminar on 'Indian Maritime, 100 years

since SS Loyalty – the Vision ahead’ was organized by Directorate General of Shipping at ‘The Lalit Hotel, Mumbai.

“Government is trying to promote shipping in whatever way possible. The shipping industry is growing every month as per the data,” stated the Chief Guest, Mr Sanjay Bandopadhyaya, IAS, Additional Secretary, Ministry of Shipping, Government of India. He also mentioned that, if India had proper infrastructure and policies, we can develop every year in regards to economy and employment. He even asked the fraternity to list down all problems and promised to sort them out.

In his key note address, Mr Amitabh Kumar, Director General of Shipping (In-charge) said, “We are all aware of the glorious past since Indus Valley civilisation, but the British reign have managed to destroy our 4500 years of Indian Shipping. SS Loyalty gave us that lost glory.”

Capt Sudhir Kumar, Former Principal Officer, MMD, Government of India briefed about the Indian maritime history from Indus civilization to SS Loyalty.

“A seafarer’s contribution cannot be ignored in this maritime world. As a fraternity, we are aware about the Industry, but we have to make the general masses aware about seafarers and most importantly the policy makers,” said Mr Abdulgani Serang, General Secretary, National Union of Seafarers of India while speaking about the contribution of Indian Seafarers to the Maritime world.

Representatives from various companies and unions were present to discuss their view point. Ms Sonali Banerjee, Indian Register of Shipping presented on empowering women in Indian Maritime Industry.

Capt Philip Mathews, LOTS Shipping discussed the challenges in building strong salvage infrastructure. Presentation by Capt Shoukat Mukherjee, Author, Mind Over Water and others glued the audiences to their seats. Several panel discussions were held, which highlighted different issues in the industry. These panels were chaired

by Capt Jayakumar; Mr Rajiv Shankar, The Commissioner of Customs (NS - General); and Mr Suresh Kumar, Chief Ship Surveyor, DGS. The panel discussion was very informative and appreciated by the delegates.

Maritime Quiz Challenge 2019 – 4th April

A one-of-its-kind maritime quiz challenge was organised for the 1st time in the industry under the aegis of NMDC. The quiz was open to all in the industry and was held at the SCI’s Maritime Training Institute (MTI). 29 teams of two participants each took part in the quiz. Out of this, 6 teams played the finale. The players were from different shipping companies and maritime training institutes across Mumbai and Pune.

The quiz was organised by the Mumbai Quiz Club and was led by the National Champion and quizzier Mr Rajiv Rai. The Maritime Quiz Challenge was conceptualised by ardent quizzier and All India Quiz Master Mr Surinder Pal Singh Jaggi, Director (Personnel & Administration), The Shipping Corporation of India (SCI).

The 1st Cash prize of Rs. 15,000 was won by Mr Meghashyam Shirodkar and Balakrishnan Satyam – Independent Consultant, Edelwise Land Lubbers while Rs. 10,000 Runners Up prize was won by Mr S Swaminathan and Mr Amrit Panda from Great Eastern Shipping.

Wreath Laying Ceremony for Martyrs – 5th April

NUSI organized Wreath laying ceremony for martyrs at Seamen’s Memorial Hall, Indian Sailors Home Society, Masjid. During the first and second world war, thousands of innocent Indian merchant navy seafarers lost their lives. To pay respect and homage, representatives from unions and various associations and organisations paid their respect at the memorial.

Demands for the Handy/Supra sector expected to expand by at least 3% in 2019

One of the few shipping segments where net fleet growth is actually expected to be negative is the Handy/Supramax one. In a recent note, shipbroker Banchero Costa said that “according to our calculations, the current trading fleet (including units in layup and under repair) of Handy & Supra bulkers between 20,000â€64,999 dwt consists of 5,689 units equivalent to about 259.9 million dwt, as of March 2019. In 2018, we recorded the delivery of 144 units, for a total of 7.2 mln dwt between 20,000â€64,999 dwt, down 44 percent in dwt terms compared with 2017. This included 70 units between 60,000â€64,999 dwt, 61 units between 30,000â€39,999 dwt, 5 units between 50,000â€59,999 dwt, 7 units between 20,000â€29,999 dwt, and just 1 unit between 40,000â€49,999 dwt”.

According to Banchero Costa, “in the first 2 months of 2019, 27 units between 20,000â€64,999 dwt were delivered, for a total of 1.2 mln dwt. In 2018, 20 vessels amounting to 0.8 mln dwt were reported scrapped, down 82 percent in dwt terms compared to 2017. Units scrapped included 12 units between 40,000â€49,999 dwt, 3 units between 30,000â€39,999 dwt, and 5 units between 20,000â€29,999 dwt. Improved market sentiments have pressured scrapping levels last year, although this could increase in future with implementation of the ballast water treatment and sulphur regulations”.

“In the first 2 months of 2019, no demolitions of units between 20,000â€64,999 dwt have been reported. In 2018, 80 units were

contracted between 20,000â€64,999 dwt for a total of 4.4 million dwt, compared to 54 units (2.5 mln dwt) ordered during 2017. The popularity of units between 60,000â€64,999 dwt continues to be reflected in the orderbook, with its orderbook/ trading ratio being the highest at approximately 29 percent in unit terms. In the first 2 months of 2019, 6 units between 20,000â€64,999 dwt were contracted, for a total of 0.3 mln dwt. The total handy & supra orderbook / fleet ratio is currently 6.6 percent in unit terms”, the shipbroker said.

Banchero Costa said that “2018 was a reasonably positive year for the Handy/ Supra sector, with the Baltic Supramax and Handysize TC indices averaging 11,486 usd/ day and 8,700 usd/day, increasing respectively by 22.7% and 14.0% yâ€oâ€y from 2017. However, the first 2 months of 2019 were disappointing, with the Baltic Supramax average down 27.9% yâ€oâ€y to 7,275 usd/ day, and the Baltic Handysize average down 30.1% yâ€oâ€y to 5,710 usd/day. Deliveries in 2019 are expected to increase slightly to around 9 mln dwt, from a low of just 7.2 mln dwt in 2018. In the first 2 months of 2019, we recorded the delivery of 27 units between 20,000â€64,999 dwt, for a total of 1.2 mln dwt, down 42% on the same period last year. This included 9 units between 60,000â€64,999 dwt, 17 units between 30,000â€39,999 dwt, and just 1 unit between 40,000â€49,999 dwt”.

According to the shipbroker, “we expect demolition activity to increase in 2019 to almost 4 mln dwt, due to more modest market

expectations this year, and the impact from the implementation of the ballast water and sulphur regulations. However, in the first 2 months of 2019 we didn't record a single actual demolition in this size sector. We therefore estimate net fleet growth to decline to about 2% in 2019, down from about 3% in 2018. Contracting activity have been on the rise: In 2018, 80 units were contracted between 20,000-64,999 dwt for a total of 4.4 mln dwt, compared to 54 units (2.5 mln dwt) ordered during 2017. In the first 2 months of 2019, 6 units between 20,000-64,999 dwt were contracted, for a total of 0.3 mln dwt”.

Banchero Costa concluded that “the supply&demand balance therefore continues to improve even as demolitions remain slow,

whilst trade growth generally continues at decent levels. We expect demand for the Handy/Supra sector to expand by at least 3% in 2019. However, persisting Chinese coal import restrictions could keep their import volumes more bearish in the near term, whilst we still expect strong coal import demand from India and South East Asia. The U.S.&China trade war is still having a disruptive impact on the soybean trade, whilst positive trends are seen in other trades like nickel ore, where Indonesia is increasing export volumes once again, and sugar with rising volumes from India and Thailand, and forecasts are currently quite positive for grain trades as well”.

Amitabh Kumar appointed as the new Director General of Shipping

The shipping industry's friendly face Mr Amitabh Kumar, Additional Director General (Shipping) has been appointed as Director General of Shipping, Ministry of Shipping on April 9, 2019.

A 1987-batch officer of the Indian Revenue Service, Mr Kumar completed his MBA from Southern Cross University, Australia, Advance Management from Maxwell School of Public Policy, USA and Leadership & Change Management from Wharton Business School, USA besides being an alumnus of the University of Delhi. He has received 3 commendation certificates from MOS Finance (the most by any IRS officer) on the occasion of 150 years of the Income Tax Department in 2011-12.

After a marvellous stint in CBDT at the Ministry of Finance, he was transferred to the Ministry of Shipping as an Additional Director General of Shipping in August 2015. Approximately 4 years of his tenure in DGS office, Mr Kumar has been known for his friendly nature towards the industry.





Capt Shiv Halbe



Mr Abdulgani Serang



Mr Amitabh Kumar

MASSA & NUSI Root for Provision of Polling for Indian Seafarers

MASSA CEO **Capt Shiv Halbe** informed that in an official communication sent recently to the Honorable Shipping Minister they have urged Government of India to take necessary steps that would help sailing Indian seafarers cast their votes in the forthcoming Loksabha election.

As Indian voters gear up to elect next month their MPs for the 17th Loksabha, India's apex maritime body 'Maritime Association of Shipowners Shipmanagers and Agents (MASSA)' has requested Union Minister of State for Shipping Mr Mansukh Mandavia to provide sailing Indian seafarers an opportunity to cast their votes through an aptly regulated mechanism.

Although the population of Indian seafarers is pegged at around 2 lakh currently, it is estimated that on an average, around 90,000 Indian seafarers discharge their professional obligations aboard

cargo vessels sailing outside territorial borders of India at any given point of time.

"The seafarers are the torch bearers of our national trade, staying away from their home and families for months on end. They should be given the choice and facilities to exercise their franchise, which is a right under our Constitution," said Capt Halbe.

He added, "Approximately, 2,00,000 Indian seafarers are involved in this noble profession.

"As per the data of the Directorate General of Shipping, about 87% of the seafarers are sailing on 'foreign' flag ships and virtually act as the nation's ambassadors, visiting ports and countries, some of which are not even known to many of our countrymen. They are the face of the country, discharging their duties in a professional manner, thereby opening up the possibility of higher

employment for their brethren. The DG Shipping data shows that the growth in numbers of Indian seafarers is nearly 100% in the past 5 years; from an estimated 108000 in 2013 to 208000 in 2018.

“The seafarers, a rather silent community, must be given their due,” Capt Halbe emphasized.

Meanwhile India’s oldest shipping Union, the National Union of Seafarers of India (NUSI) too passed a similar resolution in their Annual General Body Meeting held recently.

NUSI General Secretary and Treasurer, **Mr Abdulgani Serang** said: “Indian Seafarers who are sailing outside India during the election days should be allowed to vote in the forthcoming Loksabha election in a legitimate manner through the support of Indian Embassies across the globe.

“Any electoral policy sanctioned by the Election Commission of India enabling sailing seafarers

of Indian nationality an opportunity to vote from outside India will eventually prove very beneficial for the Indian maritime sector.”

Hinting at the steep rise of Indian seafaring population anticipated by Government of India, **Mr Amitabh Kumar** (IRS), Acting Director General of Shipping of India said, “Considering the huge growth of Indian seafaring population in the last three years, and the also latest initiative of Directorate General of Shipping of India to facilitate qualified Indian seafarers get jobs aboard cruise ships operated by reputed and global cruise liners over the next few years, the population of Indian seafarers is expected to rise manifold in all sectors of shipping.”

This initiative by MASSA & NUSI has turned in to a great focus of hope and enthusiasm for Indian seafarers to be able to participate in the nation’s democratic process.



MARITIME ASSOCIATION OF SHIPOWNERS SHIPMANAGERS & AGENTS

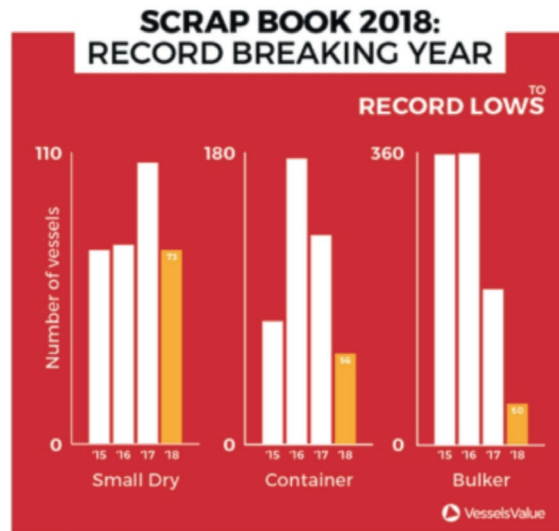
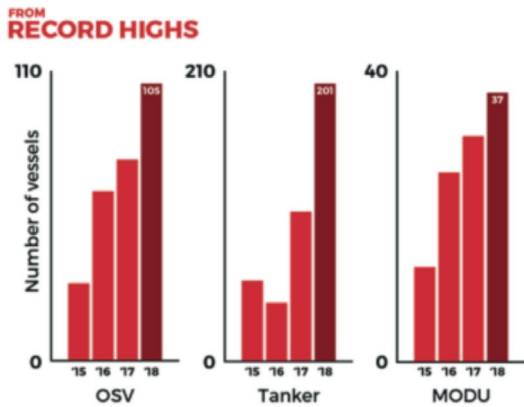
The association that marches on...

MASSA is actively involved in:

- **Facilitating, Promoting and Protection the business activities of member lines.**
- **Liaising with national, international, governmental and non-governmental organisation as well as seafarers recognized unions on behalf of members lines.**
- **Supporting the welfare activities to benefit employees or ex employees of the maritime (Seafaring) fraternity or their spouse, dependant and/or their next of kin as applicable**

MASSA, endeavours to be a leading Association, to:

- **Augment and safeguard business interest of memberlines primarily related to recruitment and placement services.**
- **Assist in development of infrastructure which helps business interest of memberlines, primarily related to employment of seafarers onboard ships.**
- **Liaise with National and International organizations to support the supply and demand of quality seafarers and recruitment and placement services in India**
- **Share information and knowledge on various issues so that Member lines and Maritime authorities can make appropriate discussions.**



2018 was a record breaking year for Ship Recycling

2018 was a dynamic year for ship recycling, with many vessel types removed at record levels, while others slowed to essential deletions only.

2018 was not a record year overall in terms of material re-used, however Bulklers, Containers and Small Dry vessels all recorded their lowest ever scrapping levels since 2012 by number of vessels. Meanwhile, OSVs, MODUs, and tankers all recorded the highest levels of scrapping over the same time period. There were only 656 vessels removed from the water compared to 755 in 2017 and 811 in 2016.

There are three main factors that will cause an owner to remove a ship from service: a higher price being offered by recycling buyers; current, as well as expected, spot market returns; and the cost of drydocking a ship at its next yard period.

The dollar per lightweight ton (LWT) cost of recycling ships is driven by demand in the physical economy and correlates with the price of raw steel. Prices per LWT rose throughout 2017, but most recycling occurred when prices were essentially flat in 2018.

Tanker

2018 was a banner year for recycling activity in older tanker tonnage. The number of removals from the VLCC fleet was in line with our highest estimates of

tonnage removal.

Container

The number of ships being removed from service has drawn down to a trickle in 2018 as recycling yards have other options for their slots from the tanker and bulker markets. The slowing of deletions is not a cause for panic among asset holders though, as fundamental support for firmer prices remains.

Offshore

Hopefully, 2019 will see a continuation of this trend in vessel scrapping. Tidewater's steely focus on scrapping nonperforming vessels should encourage more owners to follow suit. The benefits of reducing oversupply will be felt throughout the industry and help bring balance sheets back into the black.

However, it is a bitter pill to swallow. Many of these vessels will be sold at levels far below the purchase price achieved prior to 2014 and owners will have to make the painful decision of taking a haircut on these vessels.

The top shipowner selling vessels for recycling is American Offshore owner Tidewater, who sent 21 vessels to be scrapped. In second place is the South Korean owner Sinokor selling 11, followed just behind in third place by Nordic American Tankers, with 10 being sent for recycling.



IMO's 2020 shrouds with uncertainty

The International Maritime Organisation's (IMO) major change limiting the airborne sulfur dioxide emissions from international shipping is now less than a year away.

On 1 January 2020, the sulfur dioxide emission standard tightens to limit the emissions to burning the equivalent of fuel with a sulfur content less than 0.5 %. This is a massive reduction from the current levels of 3.5 wt%.

If this was delivered by the refining industry alone, it would represent the biggest ever one-time removal of sulfur in a transport fuel. A key issue is that this legislation is not an obligation on the shipper, not the refiner.

But certainties are few and far between, with more unknowns than known.

The few things we know are:

- The cost of ocean freight – and so international waterborne trade – will increase as shippers need to invest or buy more expensive fuels;
- Refinery earnings should improve, as tighter fuel quality standards requires higher activity levels by the refining sector, for which it will earn a margin;
- The relative value of crude oils will change, as high sulfur, heavy crudes will become less valuable than today. This will have an impact on the upstream sector and has the potential for this legislation to drive all crude prices higher;
- The consumer will pay for the change in a number of ways, as this legislation alters the relative values of all refined products. It is likely the cost of air travel will increase, as will road freight costs;
- Airborne emissions from the shipping sector will fall, but overall environmental performance may change little as the pollutants can be diverted into the marine environment;
- There is a wide range of potential outcomes depending upon how the shipping and

refining sectors respond to this legislative change.

There are a number of key issues to watch. Firstly, government capabilities to monitor adoption and their appetite to enforce this regulation, as this will determine overall compliance. At present, the regulation will be enforced by the countries ships dock at port. It will be illegal for a vessel to have non-compliant fuel on board, but not all ports have the capability to test the quality of marine fuels and not all countries have ratified this IMO regulation into their national legislation

Refinery investments will also be important, as refiners could undertake major projects to supply 0.5% sulfur fuel oil. To date, few have committed to major capital projects and those that have are investing around US\$1 billion on projects that will take a number of years to implement.

The early market signals associated with the supply of 0.5%S fuel oil indicate it is not likely to be readily available, nor priced at a discount to crude (typical of the current 3.5% S grade). This is influencing ship owner decisions, as they seek to secure a low-cost fuel.

Ship owners' investment behavior also needs watching. After a "phony war" that lasted a year after the announcement, ship owners are now investing heavily in vessel exhaust treatment systems, called scrubbers. These systems typically "wash" the vessel exhaust gases with sea water, which reduces airborne emissions. There are now over 2,000 scrubbers on order, mostly destined for large, long-distance vessels. This is modest in a global shipping fleet that numbers over 90,000 vessels.

In spite of the legislation coming into force in less than 12 months, the range of potential outcomes still remains very wide, as neither potential boundary case has been fully eliminated.

One boundary case is that the regulatory enforcement is strict, delivering high global compliance. This would be disruptive for the refining sector, as it would be unable to process all of the displaced high-sulfur fuel oil as a refinery feedstock. The surplus fuel oil would need to compete its way into the power sector by pricing at comparable levels to coal.

The surge in gas oil demand would require refiners to process more crude and we would be in an era reminiscent of the early 2000s, when strong demand growth for clean fuels drove up the global price of crude oil, distorting crude pricing and product pricing relationships. This would deliver enormous profits for the refining sector, but history suggests such distortions are often short-lived.

The other boundary case is that a number of key governments co-operate to stall the pace of adoption. In late 2018, a group including the U.S. government proposed an "experience building" phase to reduce the potential disruption on the shipping sector and ultimately the consumer. The proposal was not passed, but if a similar proposal is passed later this year when the global economy could be stalling due to regional trade wars, there may be little or no impact on the refining sector.

Wood Mackenzie's base case is reliant upon high, but not full, global compliance and the shipping sector swapping 1 million barrels per day of high-sulfur fuel oil demand by a similar volume of marine gas oil. Our analysis of the refining sector suggests the refining system will absorb the displaced high-sulfur fuel oil volumes as feedstock and will then largely supply the necessary distillate. However, prices would change, rewarding those ship owners that have invested in scrubbers.

In this scenario, refiners will do better financially, but there will be a wide variation in earnings performance. Broadly put, the oil majors will do well, as after years of high-grading their portfolio, they have high-quality refineries that are well configured for this legislative change. Some majors may even see their refining earnings double in 2020.

Given the legislation comes into force on 1 January next year ship owners will need to take action soon. We are expecting to see this new market reality emerging late in the northern summer, but legislative clarity will not appear until early in the fourth quarter, as that will be the last meeting of the IMO at which a compromise could be adopted.

Only at that point, will the fog of uncertainty start to lift.

Why Flag States are not put in the dock by maritime authorities ?

International Maritime Organization or IMO had adopted a new Code of International Standards and Recommended Practices for a Safety Investigation into a Marine Casualty or Marine Incident (Casualty Investigation Code) when the Maritime Safety Committee (MSC) met in London, for its 84th session in May 2008. Relevant amendments to SOLAS Chapter XI-1 were also adopted, to make parts I and II of the Code mandatory. Part III of the Code contains related guidance and explanatory material.

The new regulations, entered into force on 1 January 2010 and expand on SOLAS regulation I/21, which only required Administrations to undertake to conduct an investigation of any casualty occurring to any of its ships “when it judges that such an investigation may assist in determining what changes in the present regulations might be desirable”. The Code now requires a marine safety investigation to be conducted into every “very serious marine casualty”, defined as a marine casualty involving the total loss of the ship or a death or severe damage to the environment.

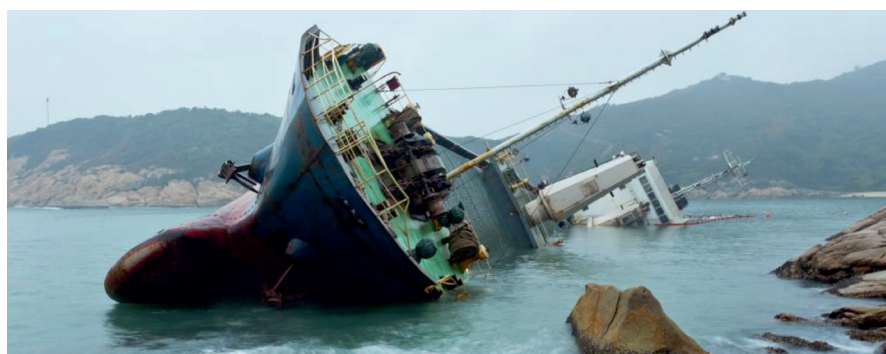
The Code also recommends an investigation into other marine casualties and incidents, by the flag State of a ship involved, if it is considered likely that it would provide information that could be used to prevent future accidents. However, it seems, not a single flag State has been severely penalized for breach of their obligations in the recent past. The flag States also assign numerous responsibilities to classification societies which include functions like regulation implementation, technical duties, etc. These societies, being private administrations and



consistently fighting in a cut throat competitive scenario to grab the market share, are often criticized by the global maritime fraternity for lowering their standards to attract the clients.

Between January 1, 2019 and March 31, 2019; not less than 200 maritime incidents (January: 54 incidents, February: 75 incidents, March 71 incidents) of various nature got reported by different vessels sailing across multiple maritime routes.

Has any major flag State attracted any maritime authority's wrath in the recent times? If not, it's a cause of concern.



Drones Becoming Common

Compulsory Slow-steaming

The French delegation wants speed limits introduced as soon as possible, according to a proposal document for the IMO's greenhouse gas emissions working group seen by the Platts news agency.

It suggests speeds would be differentiated by shipping sector.

France has also suggested imposing individual emission limits on each shipowner from 2023.

Slow-steaming could cut emissions in the short-term and tighten markets, but could lead to more vessels being ordered to meet charterers' demand, analysts believe.

In November last year, European Community of Shipowners' Associations president Panos Laskaridis said: "Imposing large mandatory speed reductions will be impossible."

He proposed a 20% speed cut, saying half of that should be mandatory and half voluntary, while recommending that owners who do not use the voluntary quota should have to contribute to a green fund.

Shipping consultancy Drewry has said boxship owners could slow-steam more ships and carry out more transshipment to combat higher costs from IMO 2020 regulation.

It added that lines' actions will depend on how successful they are at implementing fuel surcharges.

"One potential side-effect from the new regulations could be greater slow-steaming and use of transshipment," it added.

"The logic being that as ships' sailing speed is reduced and round voyages are extended carriers will drop ports from rotations to ensure that transit times to key points remain competitive. Fewer direct port calls will induce greater need for transshipment and feeder operations."

SA OK with All Linds of Scrubbers

The South African Maritime Safety Authority (SAMSA) has approved the use of all kinds of scrubbers in its waters.

The decision was welcomed by shipowners' organisation The Clean Shipping Alliance 2020 (CSA 2020).

In an IMO 2020 advisory notice, SAMSA said open-loop, closed-loop or hybrid systems are accepted until further notice.

Ian Adams, executive director of CSA 2020, said: "We are delighted that South Africa has approved the use of open-loop systems in its waters.

Drones Becoming Common

"Drones are slowly becoming an everyday tool in the industry," Capt Mike Meade, chief executive of M3 Marine Group told the first day of the Asian Marine Casualty Forum (AMCF) in Singapore on Thursday.

He says some of the key factors driving this new advanced technology are improved safety, reduced cost and time.

Meade told delegates that drone usage "takes away about 90% of the risk" when performing tasks like working in confined spaces, working aloft or working in hazardous zones.

He said drones are "low cost" and can be typically operated by one person without any extensive safety equipment, meaning the costs associated are significantly reduced.

Delegates also heard that using drones can reduce the amount of time incurred during surveys and inspections can be reduced by an estimated 30 to 40%.

However, Meade said legal and regulatory requirements for commercial drone purposes within places like Singapore can be extensive and potentially expensive if flouted.

For example, an operator permit is a requirement while the company deploying the technology must be certified by the Civil Aviation Authority of Singapore.

He also highlighted that UAV pilots must also be licensed and that a company using drones must have insurance coverage for any intended activity.

Meade told AMCF delegates that the penalty for all unmanned aircraft offences in Singapore is a fine not exceeding SGD 20,000 (\$14,782) for the first offence, and a fine not exceeding SGD 40,000 or a jail sentence of up to 15 months, or both, for the second or subsequent conviction.

Last month the Wilhelmsen group launched its drone delivery service to ships. The Singapore pilot project is being run with Airbus.



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