

Example

Shipping corporate A liner company in the container business. The company operates a fleet of around 20 container-ships from a large modern office block housing about 1,000 staff. All major decisions are taken by the main board, which consists of 12 executive board members along with representatives of major stockholders. In addition to the head office, the company runs an extensive network of local offices and agencies which look after their affairs in the various ports. The head office has large departments dealing with ship operations, marketing, documentation, secretariat, personnel and legal. In total the company has 3,500 people on its payroll, 2,000 shore staff and 1,500 sea staff.

Martin Stopford, Maritime Economics

Case study

You have inherited a fortune from your aunt who recently passed away. You are now the owner of various investments in mining and manufacturing.

You are basically a large cargo owner and you need to bring your large quantities of products into the global market.

How do you transport your cargo?

What do you need to know about cargo transport?

Industry reports

Check industry reports:

- [http://unctad.org/en/pages/publications/Review-of-Maritime-Transport-\(Series\).aspx](http://unctad.org/en/pages/publications/Review-of-Maritime-Transport-(Series).aspx)

Question: Is it a good time to invest now?

Hint: You may transport your cargo with your own vessels, or look for a broker to find you a ship for bareboat, time or voyage charter.

Beware of Analysis Paralysis! (acting now with 70% certainty may be better than waiting 10 years for a detailed plan, which may get outdated by the time you complete it).

Remember, people are not cats!

Building your own vessels – financing

You want to have your own fleet of vessels - you need money (your wealth is not in cash!! – it is very unlikely that fortunes are kept in cash or cash equivalent or current assets)

Finance by:

- Debt (lower risk and return)
- Equity (higher risk and return)
- Most likely a combination; major differences: risk and expected return

Your source of capital: banks or equity market (private equity investors, stock exchange for listed companies, etc.)

Building your own vessels – consultants

You have got the money and want to build new ships (probably you are predominantly financed by debt)

You are not really into this business, so you need to employ external consultants to manage your projects:

- Technical consultants – how would the ship look like?
 - <http://brookesbell.com/>
 - <http://loc-group.com/>
 - <http://tmcmarine.com/>, etc.

- Management consultants – cost benefit analysis, feasibility study, business case, business plan
- Lawyers – contractual arrangements
 - <http://www.hfw.com/>
 - <http://www.incelaw.com/>
 - <http://www.clydeco.com/>
 - <http://www.hilldickinson.com/>
 - <https://www.reedsmith.com/>
 - <http://www.nortonrosefulbright.com/> etc.

Regulators

You would be expected to comply with applicable regulations:

International Maritime Organization:

- <http://www.imo.org/>

European Maritime Safety Agency:

- <http://www.emsa.europa.eu/>

Australian Maritime Safety Authority:

- <https://www.amsa.gov.au/>

Code of Federal Regulations (CFR) US, e.g. CFR 33:

- <http://www.ecfr.gov/cgi-bin/ECFR?page=browse>

Classification Societies

Hint: Build your ship under the supervision of a Classification Society.

You may choose a Class Society which is a member of IACS:

- <http://iacs.org.uk/>
- Common rules

Members:

- ABS: <http://ww2.eagle.org/en.html>
- DNV-GL: <https://www.dnvgl.com/>
- BV: <http://www.veristar.com/portal/veristarinfo>
- LR: <http://www.lr.org/en/>
- Complete list here: <http://www.iacs.org.uk/Explained/members.aspx>

Hint: You would be then expected to operate the ship in Class.

Building your own vessels – shipbuilding yards

What kind of ship are you building? Where?

From Wartsila: <http://www.wartsila.com/encyclopedia> (EN only)

Building your own vessels – shipbuilding yards

What kind of ship are you building? Where?

- Cargo vessel:
 - China, http://www.marinelog.com/index.php?option=com_k2&view=item&id=7667:china-white-lists-51-shipyards&Itemid=231
 - Korea:
 - <http://www.hyundaiheavy.com/>
 - <http://www.dsme.co.kr/>
 - <http://www.samsungshi.com/>
 - Japan:
 - <https://global.kawasaki.com/>
 - <http://www.mhi-global.com/>
 - <http://www.shi.co.jp/english/index.html>
 - <http://www.jmuc.co.jp/en/>
 - Turkey
 - Romania:
 - <http://www.dmhi.ct.ro/>

Building your own vessels – shipbuilding yards

What kind of ship are you building? Where?

- Passenger transport vessel:
 - Italy: <http://www.fincantierimarinogroup.com/>
 - France: <http://www.stxfrance.com/FR/stxfrance-index-1-accueil.awp>
 - China
 - Romania:
 - Tulcea, Braila: <http://www.vard.com/>
 - Galati: <http://www.damen.com/en/companies/damen-shipyards-galati>

Building your own vessels – shipbuilding yards

What kind of ship are you building? Where?

- Special ships (offshore construction, support, etc.):
 - The Netherlands:
 - <http://www.damen.com/>
 - <https://www.royalihc.com/>
 - Norway: <http://www.gmc.no/maritime/>
 - Tulcea, Braila: <http://www.vard.com/>
 - Galati: <http://www.damen.com/en/companies/damen-shipyards-galati>

Ship equipment manufacturers

Wartsila:

- <http://www.wartsila.com/>

MAN Diesel:

- <http://dieselturbo.man.eu/>

Rolls Royce:

- <http://www.rolls-royce.com/>

Hint: Look into the ship's library, check the ship's list of machinery and equipment, look up the internet for their websites

Building your own vessels – shipbuilding/supervision/delivery/litigation

Consultants:

- Project managers
- Technical and management consultants
- Lawyers

Hint: These consultants would be variously of assistance throughout the ship's lifecycle

Are you ready to transport your cargo now?

Not just yet!

Ship registry

You would be expected to register your ship with a flag:

E.g.:

- Panama: <http://www.segumar.com/>
- Liberia: <http://www.liscr.com/liscr/>
- Greece: <http://www.hrs.gr/>
- Romania: look up!

Question: Would you place your ship under Romanian flag? Why or why not?

Hint: Various flags have various regulations and taxation regimes

Every business carries risk

You would need to transfer the risk through insurance.

Question: What is at risk?

Hint: Ship, people, cargo.

Question: How else could you manage risk?

Hint: Look up the internet for risk management.

Insurance: H&M

Hull and machinery (the physical asset).

Insurance providers:

- <http://www.gard.no/>
- <http://www.agcs.allianz.com/>
- <http://www.britishmarine.com/>
- <http://www.kominsur.ee/en/>

Question: How much would be at risk?

Hint: Check for the value of ships: new build, market value, insured value

Insurance: P&I Clubs

People and cargo.

Shipowners got together in Protection and Indemnity (P&I) Clubs, e.g.:

- <http://www.swedishclub.com/>
- <http://www.ukpandi.com/>
- <http://www.thomasmiller.com/>
- <https://www.skuld.com/>
- <https://www.britanniapandi.com/>
- <https://www.steamshipmutual.com/>
- <http://www.gard.no/web/frontpage>
- <https://www.londonpandi.com/>
- <http://www.westpandi.com/>
- <http://www.nepia.com/>
- <https://www.shipownersclub.com/>
- <http://www.american-club.com/>
- <http://www.standard-club.com/>
- <https://www.piclub.or.jp/>
- Etc.

Insurance: P&I Clubs

P&I Clubs got together in the International Group of Protection & Indemnity Clubs:

- <http://www.igpandi.org/>

Question: Why would these Clubs get together?

Hint: What may be the value of a potential cargo claim? What is the value of the cargo onboard a vessel.

- 18,000 TEU container carrier?
- 320,000 tdw oil tanker

Ship owners and managers

Some shipowners choose to manage their vessels:

- <http://www.maersk.com/en>
- <https://www.msc.com/>
- <https://www.cma-cgm.com/>
- <http://www.mol.co.jp/en/>
- <http://www.vanoord.com/>

Ship managers

Other look for a technical manager, e.g.:

- <http://www.vships.com/>
- <http://www.angloeastern.com/>
- <https://www.columbia-shipmanagement.com/>

Industry associations

Now you may wish to enter industry associations, depending on the type of cargo you carry:

- <https://www.bimco.org/>
- <http://www.sigtto.org/>
- <http://cdi.org.uk/>
- <https://www.ocimf.org/>
- <https://www.intertanko.com/>
- <http://www.imca-int.com/>

Question: Why do you need these associations?

Hint: May be networking, stronger vice together, sharing information, knowledge, facilities. Collaboration as opposed to competition (Paradox)?

Chambers of Shipping

E.g.:

- <https://www.ukchamberofshipping.com/>

Question: What are these for?

Hint: follow the link and use your common sense.

Brokers & Charterers

Now you have got your own ships for your own cargo, but you may have over or under tdw capacity. Yet you need to trade.

What now? Look for brokers and charterers:

- <https://www.lloydslist.com/ll/news/top100/brokers/>
- <http://www.clarksons.com/>
- <http://www.oceanshipbrokers.com/>
- <https://www.drewry.co.uk/>
- <http://www.brsbrokers.com/>

Start trading and transporting cargo

You will now need to use other links in the value chain:

- Port facilities and logistics.

Different for:

Dry bulk, general cargo, containers, wet cargo heavy lift, livestock, passengers.

Contractual arrangements?

- CIF, FOB, Hague-Visby, Incoterms

Port facilities and logistics

A whole new world!

For every cargo loaded/discharged there would be a loading/discharge facility:

- <https://www.lloydslist.com/ll/news/top100/ports-and-logistics/>
- <https://www.ilta.org/>
- <http://www.tankstorage.org.uk/>

One more ingredient

People

The thing with people

Machines cannot fully replace them.

Human error.

Health and safety issues.

Unions (What are these good for?):

- <https://www.nautilusint.org/en/>
- <http://www.itfseafarers.org/>

Charity (What are these good for?):

- <https://www.missiontoseafarers.org/>

Verification of compliance - Port State Control

Organized in Memorandums:

- <https://www.parismou.org/>
- <http://www.tokyo-mou.org/>
- <http://www.bsmou.org/>
- <https://www.uscg.mil/>
- <https://www3.epa.gov/>

Question: Why Memorandums?

Hint: Sharing same standards for inspection and database, minimizing the number of inspections

One more hint: check online the MoU inspection records of the vessel before joining

Surveyors associations

You may need independent surveyors (consultants).

Some links for surveyor associations:

- <https://www.iims.org.uk/>
- <http://www.marinesurvey.org/>
- <http://www.scmsHQ.org/>
- <http://acms-usa.com/>

Things may go wrong

Flag States generally have bodies undertaking incident investigations
e.g.:

UK

- <https://www.gov.uk/government/organisations/marine-accident-investigation-branch>

Denmark

- <http://www.dmaib.com/Sider/Home.aspx>

Question: Any potential bias or conflicts?

Hint: No hint!

Things may go really wrong!

Salvage and wreck removal

- <http://www.ardentglobal.com/>
- <http://www.smit.com/>
- <http://www.crowley.com/>
- <http://www.fiveoceansalvage.com/>

Question: Regulatory framework?

Hint: Check the IMO regulations:

- CMU library: IMO Vega
- Sea-web: <http://dmr.regs4ships.com/login.cfm> (requires subscription)

Ship scrapping

Beaching in India:

- <https://www.youtube.com/watch?v=Ein5dj-Dc-w>

Environmental concern:

- <http://in.reuters.com/article/maersk-shipping-alang-idINKCN0VL1VZ>

Asbestos!

- <https://www.asbestos.com/news/2015/08/04/cancer-incidence-high-shipbreaking-industry/>