

Fairplay

THE INTERNATIONAL SHIPPING WEEKLY

Published since 1883

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- p20 Karachi residents appeal

Government spikes UK revival

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Shipping shoulders tax and regulation burden

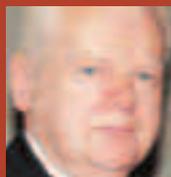


Germany's boxing match

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Europe's least attractive ship register
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One of the men behind OPA'90
p34

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moving AHEAD

LOOKOUT

Goodbye London

Worried industry eyes foreign shores

IF you've got a working satellite dish, you can communicate with almost anyone in the world. More importantly, you can also watch Test Cricket, thanks to that nice man Rupert Murdoch. As soon as someone finds a way to export British beer without ruining it, the country's top executives will have no further reason to stay in the UK.

This is the blunt message that has been brought to the door of 10 Downing Street, the residence of prime minister Tony Blair, by the leading eight UK-based multinationals (see Cover Story, p22). And when multinational industry leaves, the shipping industry will quickly follow. This is why there will be more worried faces than in recent years when the UK industry gathers for its shindig at next week's *Seatrade* exhibition.

Infuriatingly, it is the present government that has done more to revive the country's shipping industry than any administration in living memory. After decades of seemingly terminal decline, the register has been picking up, investment has been on the increase and confidence has been surging. So what is the government doing wrong now?

The short answer is that the government doesn't seem to know – still less care – what it is doing,

wrong or right. That is why business leaders, not just in shipping and its ancillaries, are so worried. Policies made by one department are undermined by another, while measures to 'fine-tune' one area of the economy or society have a disastrous impact on others. Then, without consulting anyone, ministers make up policy based on apparent whims or a sudden, irrational terror of how the leader page of the *Daily Mail* will read tomorrow morning.

The country's pre-eminent position in international commerce is under threat from a collapsing transport system, while its future is being compromised by an education system that can't even afford to keep its schools open. But Whitehall (the part of London where most government offices are) seems obsessed with fiddling, form-filling and

The government
doesn't seem to
know – still less care
– what it is doing,
wrong or right

LOOKOUT continues on page 2

Don't think *about* know-how, choose it.
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imaginative tax-gathering, while the politicians can think of nothing except how to get out of Iraq with their reputations intact.

There is no ticking bomb, as Simon Pressly of Dorchester Maritime pointed out to *Fairplay*, and his view is echoed by the chairman of Unilever, who wrote in the *Financial Times* this week that no single issue was forcing business out. It is simply the drip, drip, drip of creeping regulation, widening taxation and bureaucratic neglect that is sapping business confidence.

There's more to it than just trying to wring a few tax pennies out of the Greeks. A whole economic sector is at stake, and it consists of rather more than an offshore outpost of Akti Miaouli, only with better shops.

The UK has lost its shipping industry once before. To lose it twice would be worse than carelessness.

Yesterday's monster

A DECADE ago, *Fairplay* was at one with the rest of the maritime press in warning about the horrors of OPA'90. If the US response to Exxon Valdez were implemented in full, we warned, the industry would grind to a halt and America's gasoline pumps would run dry.

Today, without fear of being lynched, one of the architects of OPA'90 can stand up and proudly declare that he was one of those responsible for that once-notorious piece of legislation. There are a lot more strings to the bow of US lawyer Dennis Bryant (see profile, p34), but it is worth noting that his involvement in OPA'90 is now a pretty uncontroversial part of his CV (or resumé, as he would call it). There are even some who call OPA'90 a force for good.

The accommodation of OPA'90 shows that this industry is adaptable beyond even our own expectations. We can complain at the regulators and disparage the grimier side of the industry, but we should, once in a while, remind ourselves that we should also be proud of it.

Shipping squeezed by Monti python

MARIO Monti was probably warned to expect headlines like the one above from the English-speaking press. He's not out to make friends in shipping, so he'll have to put up with it.

Perhaps a reference to the old war film *I Was Monty's Double* would have been more appropriate, because the EU competition commissioner has scored an impressive double on the shipping industry this week, wrapping his coils around the ferry and shipbuilding sectors. He should count himself lucky to escape with just a clichéd headline.

Last Wednesday the Competition Commission's shock troops descended on the major players in the North European ferry sector, pursuing unspecified – even vague

– allegations of price-fixing (see p6). As one observer wryly commented, if they have been colluding on price, they can't have been very good at it. It's difficult enough to make an honest euro in the ferry trade, even without a tunnel undermining the channel trade and a constantly tightening regulatory environment. The money to comply with the latest emission rules will have to come from somewhere.

Pascal Lamy, the EU Trade Commissioner and a Frenchman, isn't much bigger than Monti, but he would probably have thumped him if the heavily subsidised French operators had been targeted in the latest probe. The two have almost come to blows before on the subject of how (or if) France should comply with EU rules. But Monti connected with the

French government's chin two days later by trying to block the rescue of Alstom and its flagship yard Chantiers de l'Atlantique (see p38). Government aid for shipyards – bad. Government aid for ferries – good. Apparently it's not anti-competitive either.

While the ferry and shipyard sectors aren't making very much money at all, there is one area that is rolling in it. We're talking about the Competition Commission itself. In the 17 years it has been pursuing cartel cases, the Commission has raked in an impressive €788Bn, and the shipping industry has contributed a healthy share of that. Where has it all gone?

Quite clearly, the Competition Commission is making excessive profits. But then, it's a government-funded monopoly. **Patrick Neylan-Francis**



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Printed by Holbrooks Printers Ltd, Hilssea, Portsmouth, Hampshire, England

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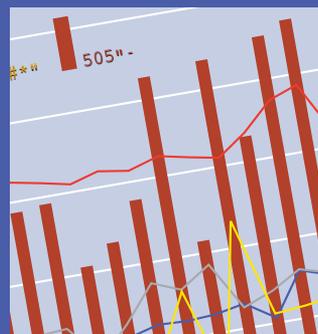
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COVER STORY: Don't let the UK lose the good feeling, begs Mark Brownrigg, Chamber of Shipping p22



MARKETS: Prices keep climbing; something's got to give. Who's doing what in the shipping and commodities markets p50

Who said...?

“The IMO works only as well as it's respected”

see p34

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Anger over 'ghos

SOURCE
FAIRPLAY DAILY NEWS, 8 SEPTEMBER, 2003

THE voyage of 13 ageing US ships bound for scrapping at a UK shipyard has been making waves on both sides of the Atlantic this week. Permission has not yet been granted for the derelict vessels from the Maritime Administration's 'ghost ship' fleet to be towed the 4,000 miles to Teesside. Meanwhile in the US, a Texas congressman has asked the investigative arm of the US Congress to audit the controversial £10.8M (\$17M) transaction between MarAd and the UK contractor, Able UK.

The request comes amidst an uproar about the deal from lawmakers and shipyard supporters, angry that the work was not awarded to a US company. MarAd should "let all of us know exactly how much money was

wasted in this bad decision," said Rep Solomon Ortiz of Texas in a letter to the General Accounting Office (GAO). "We are paying people in another country to do [the job] while our industry in the US is deeply hurting." Ortiz also wants the GAO to conduct a general review of MarAd's shipbreaking programme, which is

The request comes amidst an uproar about the deal from lawmakers and shipyard supporters, angry that the work was not awarded to a US company

conducted jointly with the US Navy. While the deal has raised concern in the US, delays in the voyage are now more likely to be incurred from the UK side of the operation. According to the UK's Maritime Coastguard Agency, Able UK is keen to get things underway by September 12. However, key

documents including a passage plan and US surveyors' notes have not yet been filed. The UK Secretary of State's Representative, Robin Middleton, has told *Fairplay* he is satisfied with Able UK's health and safety and environmental information, but this alone is not enough to satisfy the MCA.

Despite the lack of detailed towage plans, Middleton insisted that any transit, which would enter UK waters via its Southwest approaches, would be "very well controlled". He said the convoy of six vessels would be "weather-routed", with two tugs per vessel across open sea, which could possibly be joined by an extra tug per vessel once in UK waters. The decision whether to use two coastguard tugs was still under discussion, but ports of refuge had already been identified *en route* ●

America can also build

DELIVERY of a containership is hardly a major news story. Delivery of a US-built containership, however, is. The 2,600-TEU *Manukai* (pictured right) is the first of two ships built by Kvaerner Philadelphia for Matson at a cost of

\$110M each, which gives some idea as to why the US doesn't build containerships any more. The vessel and its sister will operate in the Jones Act trade between the US east and west coasts via the Panama Canal ●



sts' scrap voyage



EC goes fishing for cartels

Dramatic dawn raids on a string of North European ferry operators last week marked the beginning of what is likely to be a lengthy investigation into illegal cartels and price-fixing agreements.

SOURCE: FAIRPLAY DAILY NEWS, SEPT 4, 2003

WHILE THE EUROPEAN Commission insists that the investigation does not imply any guilt, ferry company insiders are furious about what they see as a 'fishing expedition' that could seriously harm their reputations and disrupt business.

The 'unannounced inspections' (as the EC describes 'raids') began at 0900 hours on 3 September when officials, flanked by police and national competition

authorities, came knocking on the doors of ferry operators in Sweden, Germany, Denmark and the UK. According to the Commission, they were looking for evidence of cartel agreements and "related illegal practices" in the Nordic ferry market, as well as market-sharing agreements in the UK cross-channel sector.

DIVIDE AND RULE

While the raids were launched simultaneously, it appears that the Commission is following two separate lines of inquiry. Brussels officials have confirmed that the UK-centred investigations – which called on the UK ferry arm of P&O, Swedish shipping group Stena Line and Channel Tunnel operator Eurotunnel – were prompted by consumer complaints. Brussels officials have declined to elaborate, but they are thought to have been influenced by a large number of individual complaints and a website, channelpirates.com,

which has actively campaigned for EU competition commissioner Mario Monti to investigate fares.

The Nordic operation, however, is focused on alleged anti-competitive activities on passenger routes shared by Stena and the Danish-German operator Scandlines. According to a Commission statement after the raids, they were investigating "illegal practices aimed at foreclosing competition and preventing access to the Nordic ferry market".

SHOCKED AND STUNNED

The allegations of price-fixing and cartels have come as a shock to both the operators fingered by the investigations and ferry industry groups. According to the ferry groups, the market is currently fiercely competitive, with passenger fares at an all-time low. Allegations of collusion are simply unfounded, they say. "If there is price-fixing, they aren't doing a very good job of it," commented

The company image will be shot to pieces



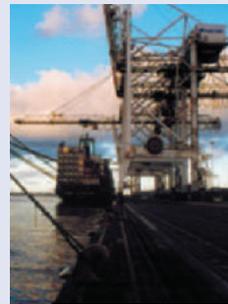
THE LAST SEVEN DAYS

4 SEPTEMBER
Panama warns over security fees

PANAMA'S lawyers have warned that the fees to be charged for assessment of ship security plans are too high and could lead to ships leaving the register.

5 SEPTEMBER
First US LNG plant in 26 years

ANGLO-Australian mining and energy group BHP Billiton has lodged applications to build what could become the US's fifth LNG import facility.



5 SEPTEMBER
Tension mounts over S African ports

A CLASH between trade unions and the government over South African ports is looking increasingly likely as talks move from stalemate to confrontation.

MORE

Hooked by the Commission

STENA

"Stena is confident that [illegal market sharing agreements] did not and does not take place"

SCANDLINES

"We have had some difficulties in the past with this – we are very aware of how seriously you have to take these regulations"

P&O

"The unsettling thing about this case, is the fact that we have no idea where the complaint has come from or what it entails."

EUROTUNNEL

"We operate in a fiercely competitive marketplace and we are confident that any investigation will show that."

Bryony Coulson, GM of the UK-based Passenger Shipping Association.

Material collected by the Commission during the raids, which lasted in some cases for up to two days, is now being analysed by anti-trust officials in Brussels. The results will form the basis of any decision to launch a formal investigation. "The fact that the Commission carries out such inspections does not mean that companies are guilty of anti-competitive behaviour, nor does it prejudice the outcome of the investigation itself," the Commission assured.

Lawyers familiar with the workings of the EU's competition division disagree. One Brussels firm with experience of similar cases suggested to *Fairplay* that it is rare for the Commission to "go

STERN MESSAGE: Ferries have come under the unforgiving gaze of the EU

fishing" without a strong feeling that something is going on. Monti and competition lawyers pulled in a total of €950M (\$1.03Bn) in fines against illegal competition practices last year alone, and have continued to take a tough line on any market abuses. It is rare for them to get to the stage of raiding offices without at least some evidence in hand.

Even before the Commission became involved in these cases, the interest of national administrations had been raised, but their investigations failed to provide any evidence of illegal activities.

According to the British International Freight Association (BIFA), a complaint was logged on behalf of their membership at the UK Office of Fair Trading (OFT) in 2000. According to BIFA's DG

Colin Beaumont, the complaint could not be followed up at the time because OFT officials could not establish any hard evidence. Beaumont told *Fairplay* it was doubtful that BIFA's complaint had anything to do with the raids on 3 September, but an OFT spokesman later confirmed that their officers had assisted with the Commission's investigations.

SECOND TIME FOR SCANDLINES

Danish authorities have also shown an interest in Scandlines' activities, carrying out similar raids at the company's offices in 2000. The probe produced few conclusions and the case was dropped. "It is difficult to understand [the EC raids] because we have already been through this with the Danish authorities," Scandlines communications director Gert Jakobsen commented to *Fairplay*. "Surely they could have spoken to their Danish colleagues first."

All companies now being investigated by the Commission have announced that they are co-operating fully with the investigations, but off the record several have voiced anger over the affair. "It would have been all very well and good if they came in with a mind to rigorously inspect

specific complaints, but this was a bit of a fishing expedition on their part," one ferry operator insider told *Fairplay*. "Apart from the disruption this has caused, there is the uncertainty it creates and the effect it has on the company image. It will be shot to pieces."

WAITING GAME

European Commission investigations such as these can last years. However, the general consensus among industry observers is that because of a high level of public interest in these cases, proceedings will be wrapped up as quickly as possible. As with all cartel investigations, if the Commission finds the companies to have acted illegally, they may be fined up to 10% of their annual turnover.

"Ferry companies are becoming increasingly aware of how seriously they have to take these regulations, but as with everything, it's a matter for careful interpretation," noted Scandlines' Jakobsen. Although all companies involved have told *Fairplay* they are confident the investigations will prove there is no illegal co-operation, many will be crossing their fingers and praying that the Commission doesn't manage to get an unexpected bite on its fishing trip ●



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Swedish bribery scandal deepens

AN INVESTIGATION sparked by a routine tax inspection has begun to expose one of Sweden's largest ever corruption cases

In the dock this week, two senior staff from ferry and tanker owner Rederi Aktiebolaget Gotland stand accused of taking bribes from former Rolls-Royce employees. While the initial bribe was thought to involve SK1.37M (\$176,000), recent evidence suggests that the figures involved could be nearly eight times that amount. Even more intriguing is the fact that the trail of dirty money leads to several other suppliers, including Wärtsilä Corp, the Finnish engine builder.

The case centres around an order for two fast ro-pax ferries placed with Guangzhou Shipyard in 1999. The deal, worth SK525M (\$62M), was the first order for passenger vessels at a Chinese yard for a European customer. Wärtsilä supplied the engines for both vessels and propellers for

one while Rolls-Royce supplied propellers for the second.

The inspection at Rolls-Royce's propeller making unit, then known as Kamewa, uncovered a payment that had been made to an account in Switzerland. It had a link to R/A Gotland, but officials there denied knowing anything about the money. Then on 25 May, Gotland's MD Jan-Erik Rosengren announced that a member of the company's management group had been arrested in connection with the purchasing of equipment for the two vessels. Later in the summer the name of Bo Pettersson, the company's technical director, was also linked to the case in media reports.

Pettersson stands accused of



Photo: Dietmar Hasenpusch

taking SK1.37M (\$176,000) in bribes from a Swedish unit of Rolls Royce. The charges also include an alleged payment of SK365,000 to Pettersson's colleague, surveyor Mikael Andersson.

These figures could be just the beginning, according to Rolf Ostrom, detective inspector at Ekobrottsmyndigheten, the special economic crimes squad of the Swedish police. He told *Fairplay* that the police have recently received evidence suggesting that Pettersson received about SK10M more in bribes.

The investigation has uncovered a further 11 payments of up to a million kroner, while Ostrom pointed to evidence

The contracts for the Visby and its sister have led to one of Sweden's largest ever corruption cases

that Pettersson received SK9.6M from an official of Wärtsilä Corp. The suspect however, cannot be charged in Sweden as he is a Finnish citizen and the alleged offence took place in Finland.

According to Ostrom there are other suspects including major company names yet to be tracked down. He has also noted that it will be a relatively easy procedure for him to find the sources of the money by tracing back the international transfer of funds. "We'll find the sources out, it's only a question of time," he concluded ●

Even more intriguing is the fact that the trail of dirty money leads to staff at several other suppliers, including Wärtsilä

THE LAST SEVEN DAYS

5 SEPTEMBER
Frontline presents split plan

FRONTLINE'S management is planning to split the company in two to cater for different investors.

8 SEPTEMBER
Maltese problems highlighted

MALTA Drydocks chairman John Cassar-White slammed workers' carelessness and malingering and called for greater productivity from shipbuilders.

8 SEPTEMBER
Asian owners oppose ITF wage hike

ASIAN employers of seafarers have declared that the proposed general wage hike by the ITF cannot be supported.

8 SEPTEMBER
Customs breaks Alang tax racket

INDIAN Customs has clamped down on Alang-based cash buyers evading tax by operating through dummy companies registered in tax havens.

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Iraq: smuggling is no longer a

"THERE is a new level of resolve," conveyed the earnest American voice from Bahrain. "Senior officers are really angry. Before, for the UN, it was kind of a game. But now that's changed."

When Coalition naval forces turned their steely gaze back on the oil smugglers, intercepting and arresting the 12,000dwt, UAE-flagged *Navstar 1* on 8 August, it came as a rude shock to its Dubai-based owner, Navstar Shipping. Navstar and others with vessels lurking in the Shatt al-Arab were under the distinct impression that the lifting of sanctions earlier in the summer meant they could resume their pursuit of a \$100-per-tonne extra profit margin unchecked.

Thus they were dismayed when HMS Sutherland ordered *Navstar 1* to stop. The vessel, which had ignored three warnings, was boarded and forced to return to Umm Qasr, before its Ukrainian master and crew were arrested. The timing reflected the fury of Coalition commanders who were blaming the oil smugglers for

domestic fuel shortages. As if to emphasise the problem, the next day an angry mob of petrol-hungry Basra car owners attacked British troops and injured seven of them. Two subsequent days of violence brought three deaths.

BAKHIT TARGETED IN BASRA BACKLASH

In the week before the *Navstar 1* arrest, US Maritime Liaison Office (Marlo) officials had been visiting legitimate Umm Qasr feeder operators in Dubai, seeking their co-operation in tracking down smugglers.

A Coalition insider made no bones about the motivation behind the seizure. "Our assets were stretched to the limit, monitoring the security situation in Iraq," he told *Fairplay*. "But after the Basra riots, it became obvious [the smugglers] are hurting the Iraqi people. Now we are taking notice."

Sure enough, five vessels were detained in the following week. However, the decision to start with the *Navstar 1* was



Photo: Sergei Grits/AP Photo

no coincidence. The vessel was pinpointed because of its connections with UAE businessman Bakhit 'Bukhtiar' Mohammed, who the Coalition alleges has been a major player in the Iraq oil smuggling trade. Navstar Shipping proprietor Capt Adnan Jassem Mahmood (of Basra) confirmed the vessel's previous links with Bukhtiar, but

The *Navstar 1* in the Iraqi port of Umm Qasr after being seized on suspicion of smuggling oil

claimed the relationship had ended before Navstar acquired the ship. That was met with derision by Coalition officers. Such is naval commanders' ire, said an insider, that the Coalition plans to publicise its protests to the UAE government about its apparent inability to halt smuggling out of its ports.

Capt Adnan did, therefore, have some reason to feel he had

Navstar and others with vessels lurking in the Shatt al-Arab were under the distinct impression that the lifting of UN sanctions earlier in the summer meant they could resume their pursuit of a \$100-per-tonne extra profit margin unchecked

THE NEXT SEVEN DAYS

15 SEPTEMBER

ITF flexes its muscles in Europe

THE ITF will next week assess the week of action carried out throughout Europe to enforce pay, safety and social standards on ships.

17 SEPTEMBER

New attempt at *Prestige* recovery

TESTING of a scheme to extract oil from the wreck of the tanker *Prestige* is expected to begin within a few days.

18 SEPTEMBER

French to put the Queen on trial

AILING French shipbuilder Chantiers de l'Atlantique prepares for sea trials of perhaps its most prestigious ship, Cunard's *Queen Mary 2*.

8-19 SEPTEMBER

Bribery scandal reaches court

THE Rederi AB Gotland bribery scandal, which began in a Visby, Sweden court this week, looks likely to have significant implications (see p8).

END

a game



Marine for 600 tonnes of gasoline, but received only 176. It then left Umm Qasr and dropped anchor in the open waters of the Shatt al-Arab, which divides Iraq from Iran. It stayed there 10 days, drawing 1,100 tonnes of dirty bunkers, as did other vessels, right under the noses of Coalition warships anchored across the horizon. "Everybody thought they could buy cargo from the Iraq area. If it were not allowed, they should have stopped us," complained Capt Adnan.

But the Navstar chief's main contention was that his ship had been seized in "international waters", although he conceded that it is an area "where you can't determine in which country's [Iraq or Iran] waters you are in." The point was used to resurrect the question of the legality of Coalition naval interceptions in post-sanctions Iraq.

Maritime lawyers in Dubai agree that the question is valid. "I am not sure whether [the Coalition]

been singled out for propaganda purposes, even if his was only the first of many companies to have ships impounded. The great irony, he admitted to *Fairplay*, was that *Navstar 1* had sailed in to Umm Qasr from Mina Salman, Bahrain, carrying 5,000 tonnes of desperately-needed motor gasoline for Iraq's State Oil Marketing Organisation, the only entity legally entitled to trade in oil and products. There, Adnan says, the master asked port operator SSA

All in a week's work... who did what

Date	Vessel	Illegal bunker cargo
8 Aug	Navstar 1	1,100/4,000 tonnes
11 Aug	Saudi Gizan	150 tonnes
11 Aug	Cindy	1,000 tonnes
12 Aug	Dashty Horizon	250 tonnes
13 Aug	Tylos Folk	130 tonnes
17 Aug	Sea Star	350 tonnes

Source: US Navy 5th Fleet Central Command

has the legal remit to search and seize Iraqi cargoes," commented a solicitor. "And on what basis is it considered stolen if there are no longer sanctions in place?"

Coalition authorities have picked up this point: Marlo said in a 13 August advisory that it was establishing legal procedures for the detention and possible confiscation of smuggler ships. The advisory also contained the first post-war warning on oil smuggling, and a definition of what was and wasn't legal.

Responding to a written query from *Fairplay*, US Navy 5th Fleet Central Command strongly denied that the *Navstar 1* had been intercepted in international waters. Somewhat strangely, though, it claimed the ship had been caught smuggling 4,000 tonnes of oil, although other Coalition spokesmen had confirmed the 1,100-tonne figure. USN 5th Fleet also contended that Coalition forces were empowered to intercept stolen Iraqi oil under UN Security Council resolutions 661 and 1483.

LEGAL AUTHORITY OR NOT – THE US POSITION

"UN Security Council Resolutions 661 and 1483 still exist to ensure that international law is maintained throughout Iraq. UNSCR 661 prohibits imports and exports from Iraq, while UNSCR 1483 recognises US/UK authority in Iraq, prohibits weapons

imports, and prevents illegal exports of cultural artefacts, oil, fleeing leadership and/or stolen property. Task Force 55 operates in the North Arabian Gulf conducting Operation Iraqi Freedom maritime interception operations to enforce UNSCR 661 and

1483 and the laws established by the Coalition Provisional Authority. Vessels can be queried and searched for many items besides oil including stolen artefacts, weapons, persons of interest and items of military significance." – US Navy 5th Fleet

Guayaquil, Ecuador - March 11th

The MAERSK La GUAIRA, 19,520 dwt, 157m x 23.70m x 12.80m, laden with containers, lost power and grounded while entering Guayaquil, Ecuador.

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Titan was hired by owners on a lump sum contract to refloat the vessel. Titan mobilized a seven man team and contracted local vessels to lighten 900 tons of cargo. Vessel was refloated within 4 days after contract award and delivered to owners, safely afloat, in Guayaquil Harbor.



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Cruise lines slam 'illegal' head tax

US-based cruise lines are coming under pressure as Caribbean islands demand a bigger slice of the cake

A PROPOSED \$20 head tax on Caribbean cruise passengers is illegal, would have a devastating impact, and is not supported by regional tourism ministers, says the Florida-Caribbean Cruise Association (FCCA). The FCCA, which represents 11 cruise lines operating 100 ships in the Caribbean, Florida and Mexico, claims that it has only heard "innuendo and bits and pieces" about the head tax, according to its president Michele Paige.

The Caribbean Tourism Organisation (CTO), including 34 Caribbean destinations, reportedly wants to levy the tax directly on all cruise and airline tickets sold to the region. A CTO spokesman was unable to provide further information, except to confirm that it was talking to tourism ministers on the issue. "Nothing has been put directly to us," says Paige.

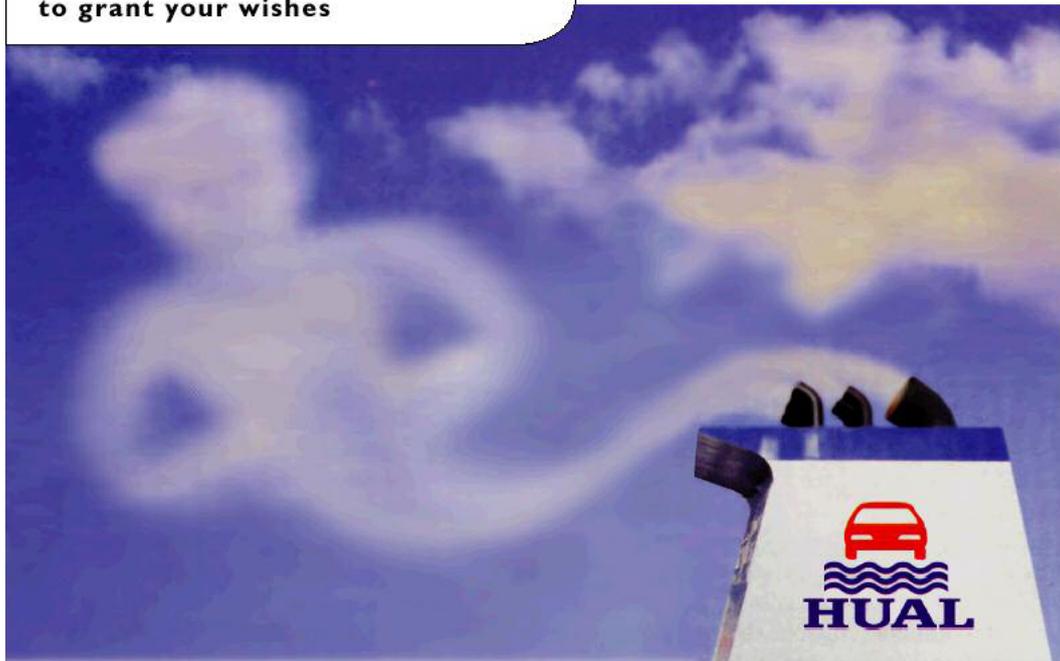
Forty-six per cent of all cruises sail in the Caribbean. "What we have been told by most of the Caribbean



tourism ministers that we will not have to worry, that it will not come to fruition, it's just a talking point,"

ABOVE: The Caribbean islands want some more crumbs from the rich man's table

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EURO RSCG OSLO

Last week, St Lucia's tourism minister Philip Pierre described the cruise sector's contribution as "far from adequate compared to the revenues they earn..."

Paige says. She says ministers or commissioners from St Maarten, the US Virgin Islands and Antigua have told her they are not in favour of it. "The CTO cannot put a tax on the cruise industry the way that it's being represented it would be," she says, believing any head tax needs to be decided and levied on an island-by-island basis. She says the FCCA has deals with more than a dozen key cruise destinations not to raise their head taxes. For example, Cayman Islands head taxes are frozen for 15 years.

Last week, St Lucia's tourism minister Philip Pierre described

the cruise sector's contribution as "far from adequate compared to the revenues they earn", in a press release distributed by a Washington DC-based, non-government organisation for sustainable tourism, Counterpart International. The Caribbean Hotel Association has meanwhile accused the cruise industry of a "divide and conquer strategy" in the same release. The cruise sector has hand-picked vulnerable tourism ministers whose islands were experiencing financial problems, it says.

Counterpart International has claimed that some destinations



ABOVE: Michele Paige says nothing has been put to the cruise lines

are reneging on a joint ministerial decision to levy the tax. Paige says the cruise sector already makes a substantial contribution to Caribbean economies, bringing its ships to the region and offering work and training locally.

Cruise lines to wear new suit

LAWYERS for Miami's largest cruise lines are preparing strategies to counter two separate judgements that expose them to potential multi-million dollar medical negligence payouts.

In the first case, Florida's third District Court of Appeal has cleared the way for a lawsuit on behalf of a woman who became sterile at the age of 14 after a 1998 Carnival cruise. Elizabeth Carlisle's suit says Carnival's doctor Mauro Neri misdiagnosed stomach cramps as flu. She left the cruise, was diagnosed with appendicitis, underwent surgery and sustained an infection that left her unable to bear children.

The court has also rejected Royal Caribbean's doctor Kenneth Holtz's 2001 bid to have a negligence claim heard in Liberia, flag state of the *Voyager of the Seas*.

Fighting on another front

WHILE THE FCCA fights a proposed regional head tax on cruise passengers, it is also trying to kill off a 24 per cent rate hike at its largest Caribbean home port in San Juan, Puerto Rico.

The FCCA has the support of the Puerto Rican Shipping Association. Both are concerned that extra costs jeopardise the 650 port calls the island receives annually. Three hundred of them are from the 15 vessels that homeport during the winter season, from late October to May. The Puerto Rico Port Authority, which wants to raise

rates from mid-2004, will collect an additional \$11M on top of the approximately \$80M it collected last season in dockage and a tax on tonnage and passengers, says Fernando Rivera, from the shipping association.

The association told a public hearing two weeks ago that the port authority had its projections wrong. Based on the extra tonnage and passengers booked in 2004, the authority will collect the extra revenue without increases, argues Rivera. The final say rests with an independent examiner.

The FCCA is confident that the hike will not go ahead. A new port authority board was unaware of a 2003 commitment signed by the FCCA with the island's tourism company to freeze port rates until 2008, says the FCCA's Michele Paige.

We have a firm agreement in writing until 2004 and a letter of intent until 2008, she says. The actions of the port authority may or may not be related to a US Federal Maritime Commission's confidential fact-finding meeting into the practices of the Puerto Rican Port Authority. The September 11 meeting was announced after the public hearing concluded.



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Owners flee Finnish flag

WHILE EU flags have been making great strides to rejuvenate themselves, Finland has managed to produce a system so unattractive that a mass exodus is now on the cards. The government is planning to revise its approach, but many fear that if things don't change quickly, the most expensive flag in Europe will disappear, taking 10,000 jobs with it.



Photo: Duncan Sumner

FINNLAND'S FLAG registry has been riddled with political and labour issues for a number of years now, resulting in uncompetitive rates and an ageing fleet. With little investment being pumped into the flag as a consequence, shipowners fear that numbers will dwindle – unless the government can turn things around with a new bill now being discussed.

"Quite frankly, the current Finnish system sucks," said one EU shipowners' association spokesman who, unsurprisingly, didn't wish to be named. Finnish policy is still out of line with what the rest of the EU agreed several years ago. The tonnage tax system, approved last year, is yet to be taken up by any company and is generally regarded

as unworkable. In addition, powerful seafaring unions have successfully resisted the introduction of foreign labour on Finnish vessels, and a fragmented group of three shipowners' associations have failed to present a united front to the Finnish parliament.

The results speak for themselves. Earlier this month, Viking Line transferred its largest vessel, the 46,300gt *Viking Cinderella*, to the Swedish flag, citing a 30 per cent cost saving versus the Finnish flag. A matter of days later, Silja Line started talks with the crew of its 35,000gt cruise ferry *Finnjet*. The ship is to be moved to a new service between St Petersburg, Tallinn and Rostock and will be lowering the Finnish flag.

Viking line found a cheaper hearth in Sweden for its *Viking Cinderella*

The average age of the Finnish fleet is 19 years, and the passenger vessels are even older. "There is no investment in new tonnage under the Finnish flag, save for a few Fortum tankers," explained Henrik Lonnqvist, MD of the Finnish Shipowner's Association. Finnlines, the country's largest shipping company, has introduced a number of new freight ferries in the past few years and so has Transfennica, in which Dutch shipping group Spliethoff is the biggest shareholder. However, most of these new ships fly the UK flag and are on long-term charter from owners in the UK.

According to Lonnqvist, the revised government policy should at least offer the industry terms of competition equal to other EU member states. "If this does not happen, transport of goods into and out of Finland will continue, but the ships just won't have the blue and white flag over their stern any more," he told *Fairplay*.

The fleet currently accounts for 1.5M gt and employs 10,000 people directly. Finland's maritime cluster, which includes ports and industry sub-contractors, boasts a further 47,000. The numbers, however, are bound to shrink unless the conditions of operating under the national flag improve substantially.

An exodus of jobs would have heavy consequences on the Åland Islands, home of many shipping companies and where a career at sea has always been high on people's priority list. Lonnqvist is more concerned about these livelihoods than about the future of shipping companies, which can carry on trading under flags other than the Finnish one ●

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Anger as Pakistan charts

THE July 27 grounding of the ill-fated Greek tanker *Tasman Spirit* off Karachi port provided the ideal opportunity for Pakistan National Shipping Corp (PNSC) to secure the chartering in of the 99,325-DWT *Ideal*.

Fairplay's investigations revealed that PNSC's management secured the \$5.25M deal just five days after the grounding of *Tasman Spirit* and before the return of communications minister Ahmed

"PNSC didn't have money even to buy a pencil"

Ali from a visit to Manila. It was also able to pre-empt the adverse impact of chartering the single-hulled and ageing *Ideal* in the wake of the *Tasman Spirit's* grounding, leaving Ali without a credible option of seeking to ban old tonnage, including single-hull tankers, in Pakistan's

territorial waters.

While the *Tasman Spirit* was wallowing in the sand, PNSC stepped up efforts to line up three elderly Greek tankers in a bid to build its tanker fleet, starting with the 1981-built *Ideal*, operated by Greek tanker company Tsakos. PNSC needs three or four vessels to service the oil refineries

under a ten-year contract, and its survey teams are currently visiting Italy and France to examine tankers that are for sale.

PNSC's timing seems far from ideal in the circumstances, but approval to acquire the tanker was secured from the government several months ago. Indeed, the purchase could have

Deluge of protest at Bremerhaven

GERMAN waterways authority the Wasser- und Schifffahrtsdirektion Nordwest was caught in a downpour last week – a downpour of paper, when over 200 written protests rained on it from local interests objecting to construction work at Bremerhaven. The project in question is the 1Bn (\$1.09Bn) container terminal CTIV, comprising four extra berths at the existing terminal fronting the Weser river for completion in 2008.

The objections revolve mainly around environmental issues such

as the loss of wildlife habitat and potential silting up of nearby fishing harbours.

Germany has not stopped talking about its states' empty coffers since *Fairplay* last turned its spotlight on the country's maritime affairs a year ago. A record number of company bankruptcies and worrying demographics is still not stopping the political powers investing in questionable port projects such as those at Bremerhaven or Cuxhaven (see page 18).

Bremerhaven is still building container terminal IIIa, to come on stream in October. Though the southern part of the terminal is far from occupied, Bremen's finance minister Hartmut Peschhaus describes construction of CT IV as a must, because of the extraordinary growth in container handling



Photo: Raif Wittmann

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ters old tankers

taken place last year, had the market not spiked because of the threat of war in Iraq. PNSC admits that the ships are "old dogs" – an assertion not endorsed by the sellers – but rebuts criticism from tanker majors about its role in keeping them afloat when they should be heading for the scrapyard.

"We have the right to make a profit. We won't run them for the ten year duration of the contracts with the refineries. We will sell them at the opportune time and buy again," a high-ranking PNSC official told *Fairplay*. "We would like buy new ships in the next phase." The official was speaking in the context of PNSC's near bankruptcy in late 2000.

"When the chairman [Tauqeer Hussain Naqvi] took over, PNSC didn't have money even to buy a

pencil, literally. Now we have \$32M-\$34M in cash and could have paid for three tankers that way, but we need to keep good relations with the banks [which rescheduled PNSC's debt]."

But Karachi-based tanker masters were aghast at the news. "Even though they have money, they haven't learnt their lessons," one VLCC master commented to *Fairplay*.

PNSC dismisses the suggestion that the *Tasman Spirit* broke because it was an ageing, single-hull vessel. "It would have broken had it been a double hull," the PNSC official said. "This whole issue of single hull is nothing but a conspiracy by the ship builders to make more money."

The official found support from Gulf Agency Co director Capt Javed Iqbal, who maintained:

"It would increase Pakistan's import crude bill from \$1.5Bn to \$2.5Bn. That is why oil producers in the Middle East Gulf don't use double-hull vessels in their coastal trades. Why should Pakistan? PNSC could use the single-hull vessels until 2005, at which point IMO-backed bans would come into effect."

An extra incentive for PNSC to buy its own ships is the need to counter allegations of corruption levelled at its chartering department. "Tanker acquisitions would enable me to put an end to this practice, although I have yet to receive evidence to support the allegations," PNSC chairman Tauqir Naqvi told *Fairplay*. Had I that evidence, the guilty officials would have been sacked long ago."



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Photo: Raif Witthohn

Cuxhaven enters boxing ring

PORT politics in Germany are often rumbustious. They are even more so now, with Hamburg's senator of economy, Gunnar Uldall, agreeing to an end to the ban on container handling at Cuxhaven.

This distinctly political move shows how the cards have been reshuffled following elections when the CDU-led coalitions of Ole van Beust in Hamburg and Christian Wulfin in Hanover replaced SPD governments.

Uldall's move could be seen as another step in a political

poker game. The ban was part of a treaty between the states of Hamburg and Lower Saxony, in return for the handing back of the Cuxhaven Amerika-Hafen to the Lower-Saxony town in 1991. However, Uldall's argument that such a prohibition on deepsea

containers runs counter to the concept of free trade appears far-fetched, although in a reaction of frustration to the choice of Wilhelmshaven as a deepwater port two years ago, the Cuxhaven port project manager Jürgen zur Mühlen had stated that the port would consider trying to attract international investors for a container port. The director of Cuxhaven's administration,

This distinctly political move shows how the cards have been reshuffled following elections earlier this year when CDU-led cabinets of Ole van Beust in Hamburg and Christian Wulfin in Hanover replaced SPD governments.

Ro-ros now, but the prospect of lo-los looms ever closer at Cuxhaven

Johannes Höppner, had even considered blocking the planned deepening of the Elbe.

MAKING ALLIES... MAKING ENEMIES

Hamburg's concession is an attempt to create a climate of co-operation regarding the Elbe deepening project. But it is also a step towards a conflict not only between Cuxhaven and Wilhelmshaven, but also with nearby Bremerhaven.

Hamburg is trying to maintain its independent position as Germany's leading port by any means, but it needs friends. This strategy is already being realised through the new Lübeck terminal project, a HHLA venture, which is seen as a second Hamburg port on the Baltic. Its aim is to serve as an outpost for the forecast boom in the East. Similarly, Hamburg depends on the two states on the banks of the Lower Elbe, Schleswig-Holstein and Lower Saxony, both of which have to agree to the deepening of the Elbe.

Speaking to *Fairplay*, the Cuxport MD Walter Collet

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welcomed the Hamburg approach, but had no information when Cuxhaven would be allowed to handle boxes. The former HHLA manager pointed out that Cuxhaven can already accept vessels of up to 15.8m at any tide and that its proximity to the open North Sea would enable it to handle vessels of up to 18m draught with only

minor dredging. This enables the lightering of ultra-large container vessels at Cuxhaven on the way to Hamburg, using the port when there is low water on the Elbe.

Since opening in 1997, Cuxport has attracted a DFDS Tor Line ro-ro service to Immingham, a Mann & Son service to the Baltic and a Samskip container service to Iceland. In Bremen, Uldall's

announcement has immediately been described as new competition for Bremerhaven. Never to miss an opportunity, the Green Party promptly declared Bremerhaven's expansion plans for container terminal IV as obsolete, to the annoyance of the SPD/CDU government. So, heavy simultaneous funding of terminal expansions in Bremerhaven,

Wilhelmshaven, Hamburg and possibly in Cuxhaven, as well as dredging operations on the rivers Weser and Elbe, will soak up enormous amounts of taxpayers money. Substantial overcapacity may be the result.

Savage, politically motivated competition is making the much-needed concentration of German port development impossible ●

THE POLITICS OF PORTS The SPD triumvirate lead by Dietmar Gabriel in Lower Saxony, Ortwin Runde in Hamburg and Henning Scherf in Bremen has fallen apart. Only Scherf remains in power following the elections early this year. All three had tried to surmount a hundred years of sniping and bickering, to jointly initiate Germany's first deepwater port for the containerships of the future. Their aim was to create a counterweight to Europe's leading box port, Rotterdam. But the first project embracing a common German port policy, urgently needed in the face of empty public coffers, has now fallen victim to political dogma.

A snapshot of Cuxhaven

LOCATION	Mouth of the Elbe
BERTHS	Two ro-ro berths of 200m and 230m length plus an adjacent multipurpose pier of 260m, served by two 60-tonne multipurpose cranes and a mobile crane of 105 tonnes lifting capacity
INTERMODAL LINKS	Railway connected and located at the end of the highway no 27 leading to the south via Bremerhaven and Bremen
OWNERSHIP	HHLA owns 25 per cent plus a share of Cuxport. Rhenus Midgard, a private concern already engaged in port operations in Nordenham and Wilhelmshaven, is the major shareholder

Cuxhaven cleared to move boxes

SOURCE
FAIRPLAY DAILY NEWS, AUGUST 22

HAMBURG'S finance senator, Gunnar Uldall, has promised Cuxhaven mayor Helmut Heyne that the agreement between the two cities preventing Cuxhaven from handling containers would be ended. Under the 1991 pact, Hamburg gave up its rights in respect of Cuxhaven's Amerika port area while Cuxhaven agreed to handle only ro-ro and conventional cargoes. The clearance for Cuxhaven came one day

after Claus Wülfers, head of the Wilhelmshaven deepwater port development company, applied for the go-ahead of the Wilhelmshaven terminal plan, which authorities are expected to accept by the end of 2004. The government of Lower Saxony has meanwhile increased its financial share in the €750M (\$822M) project, after the German government refused to fund the dredging costs. Hamburg has withdrawn from the joint Wilhelmshaven project with Lower Saxony and Bremen after a change of

government, and before that had sided with Cuxhaven's bid for the deepwater harbour, which will be Germany's only such port.

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Photo: Ralf Wittmann



Not finished with engines

SIR, In your 10 July issue you published a brief comment on page 3 regarding the state of the European shipbuilding industry as a caption to the accompanying picture. The text includes the sentence: "The engine looks like being the last unit produced at 3Maj Brodogradiliste in Croatia under Wärtsilä licence."

3Maj has a valid licence from Wärtsilä Corp to manufacture Sulzer RTA-series low-speed engines. The engine builder has five Sulzer engines still to be delivered for newbuildings in the 3Maj shipyard. These deliveries are scheduled to continue until late 2004.

Yours etc, Marit Holmlund-Sund, Wärtsilä Corp, Finland

Anger and desperation

SIR, We, the residents of Seaview and Clifton, Karachi, request your readers to help us in combating a major ecological, environmental and health catastrophe.

The *Tasman Spirit* has broken up three kilometres from our residences. It has already spilled over 20,000 tonnes of oil and the sunken portion contains nearly 20,000 tonnes, which is gradually seeping and polluting.

Oil transport has been a government monopoly for 30 years. Corrupt functionaries are charging Freight Rates of AFRA (average freight rate adjustment) plus 34 from the captive end users and hiring decrepit tankers over 20 years old at less than half the rates, thus making huge personal profits.

There is a deliberate effort by officials to down-play the impact of this major disaster. The chairman of Karachi Port

Trust has fined the owners of *Tasman Spirit* just \$175,000 due to spillage and break up of the tanker. The other character – the chairman of Pakistan National Shipping Corp, the charterers of *Tasman Spirit* – is trying his best to head the inquiry committee. The government's Marine Department and the other ministries concerned are saying it's a minor incident.

Hundreds of thousands of people living in Karachi have suffered and will continue to face irreparable losses to health, environment and property. Thousands of children living in these areas require to be moved to escape long-term health hazards from noxious fumes emitting from this continuous spillage.

There is a complete lack of comprehension and expertise in dealing with such disasters. The culprits deserve exemplary punishment.

We request all those readers who are experts in legal, environmental and health matters to help us in facing

this challenge at international and local forums.

Yours etc (on behalf of the residents of Seaview and Clifton, Karachi)
MS Javed Siddiqui
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Email: majmsj@mail.com

The views expressed in this letter are entirely those of the writer, not Fairplay – Ed

Oztracised

SIR, Clearly the facts in the article 'Security Blanket' (3 July, p5) remained 'Down Under'. You completely confused East and West Australian Locations, Garden Island with the Fremantle Passenger Terminal and erroneously informed the worldwide public that anybody can just stroll onto the Australian Naval facility at Garden Island. Stop playing to the gallery and report the facts without the spin!

Yours etc, JLH Armstrong, Nigeria

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The taxman cometh

The blind juggernaut of government is again threatening to stunt the growth of the UK shipping industry, barely five years after reviving it. And yet many branches of government seem only dimly aware of what they are doing, how they are doing it or even why they are doing it



By Paul Gunton
Managing Editor

ON 6 OCTOBER, shipowners and operators could wake up to changes in tax rules that could radically affect their employment practices. The changes to the social tax called National Insurance will lead to a significant decline in employment among British seafarers, if the UK Chamber of Shipping's warnings prove correct. Yet with less than four weeks before they are due to take effect, guidance on how they will be applied is still only in draft form and industry feedback is still being reviewed.

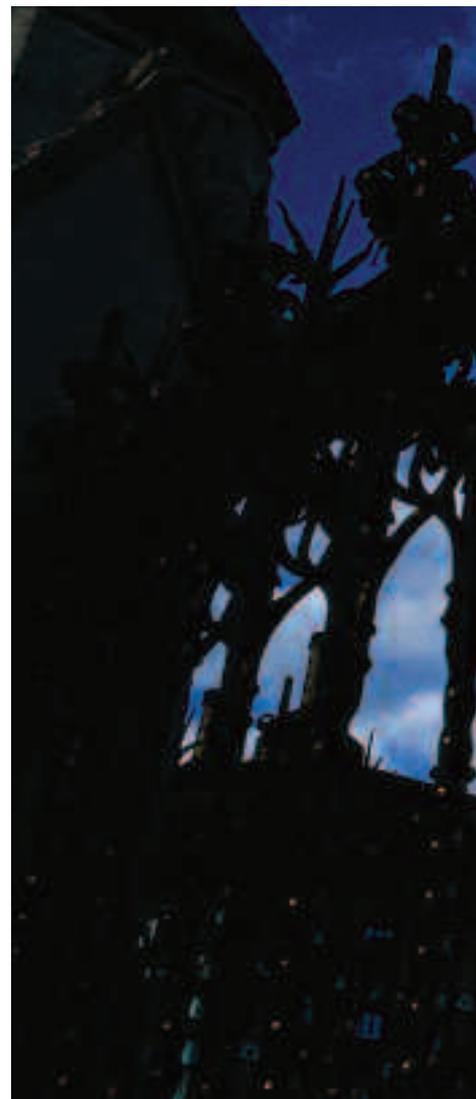
It is the latest in a litany of meddling and interference that is leading many companies and business leaders in general to question whether the UK really is a stable place to do business. In July, shipping minister David Jamieson told a radio interviewer that foreign seafarers serving on UK-registered ships

RIGHT: It may be morning in Westminster but it will be the 11th hour for UK shipping if government departments don't get their act together

operating in UK waters should be paid the UK's statutory minimum wage of £4.20 (\$6.59) per hour. The industry has always believed that it was exempt from that requirement, and reacted with surprise.

What was particularly alarming was the way these changes emerged without industry consultation and despite the government's support for the industry, particularly through its tonnage tax scheme. Historically, the UK's Race Relations Act allowed UK shipowners to set seafarers' pay based on their nationality. Just a month before Jamieson's interview, for example, some changes were made to the legislation, but this exemption was retained.

A similar exemption was written into the Minimum Wage Act. Guidance notes clarified that a seafarer need not be paid the national minimum wage if all his work takes place outside the United Kingdom or if he is not normally resident in the United Kingdom, even if he is on a British-registered ship. But in a later version of these notes,



a few further words had been added in brackets, limiting the exemption to foreign seafarers only while working outside the UK.

The change seems to have caught even Jamieson's own Department of Trade and Industry unawares. In his interview, Jamieson insisted that there was an obligation on the employer to pay at least the minimum wage to all on board, and quoted a telephone number that those with concerns about their wages could call for advice from the UK's Inland Revenue. But seafarers' hours of work are not like those of other workers, and their leave pattern is radically different.

It is not easy to transfer a seafarer's package into an hourly rate, points out Simon Pressly, GM and director of Isle of Man shipmanagement company Dorchester Maritime.



A PROBLEM OF PERCEPTION

It would be easy to dismiss the story as a little local difficulty for the UK. Why should shipping executives worldwide really care?

Because, first, the National Insurance changes might not be limited to companies employing UK nationals. Anyone employed by a foreign employer but who performs his duties for a UK ‘host’ employer (as draft guidelines put it), and those duties are performed “wholly or mainly in UK territorial waters”, will fall within the revised regulations.

One obvious solution for such an employer would be to move out of the UK. The UK employers’ group the Confederation of British Industry warned last week that “there is a growing risk that the UK is in the process of

losing its competitive edge and that an increasing proportion of internationally mobile business investment will be located outside the UK.” There can be few more global and mobile companies than some of the shipping companies currently based here.

Second, if the UK’s minimum wage were applied, as shipping minister Jamieson has suggested it should be, then manning contracts will need to be rewritten. The original guidelines published with the minimum wage legislation appeared to exempt shipping; a subsequent slight amendment can be interpreted as removing that exemption, and UK shipowners have been accused of flouting the law as a result. But, as UK Chamber of Shipping DG Mark Brownrigg argued, “If you’re not told that something’s been updated, there’s

“There is a growing risk that the UK is losing its competitive edge”

no reason to look at it.”

The real concern is the impression that these changes give. “The changes themselves are not a ‘ticking bomb’,” stresses Dorchester Maritime’s Pressly. “It’s the *perception* that is the ticking bomb, and that’s a big problem.”

In recent years, the UK government has introduced a number of shipping-friendly policies, in particular its tonnage tax regime, and reformed the Maritime and Coastguard Agency. Although using the UK register is not a requirement of the tonnage tax rules, the UK fleet has also grown impressively – by 70% in just three years, to reach 8.5M dwt – after 25 years of steady decline.

Those changes, Brownrigg believes, “sent a message to the world that there is support for shipping here and that the UK is a good place to do business.” It would

be tragic if the latest changes reverse that positive message, he says. "If we [are seen to be] inconsistent, where does that lead?"

Chris Chasty, a senior partner at accountant Moore Stephens, makes a strong case for the UK as an attractive shipping centre. But even

he acknowledges that the government "occasionally shows signs of a lack of joined-up thinking".

The message *Fairplay* received seems plain. The UK government has succeeded in instilling confidence in the UK shipping industry and encouraging investment. Don't blow it now ●



Give me an example!

NUMAST general secretary Brian Orrell keeps asking questions, and he is not impressed with the answers. If you implement the changes to National Insurance, he has warned the Inland Revenue, UK owners will simply stop employing UK seafarers. They will still have to pay, but the wage savings will offset that extra expense. He believes that leading owner Michael Everard has already threatened to stop recruiting or training UK nationals because of the impending moves. "But the Revenue says that this won't

happen," he told *Fairplay*. Its argument is that foreign workers will have to be employed on the same pay and conditions as UK ones, so there will be no benefit in the switch. Foreign seafarers will also need work permits and, to get them, shipowners will need to show that there are no suitable UK workers.

Orrell is unimpressed. He has asked the civil servants for an assurance that every shipowner who has replaced UK crew with foreign workers has gone through

Numast general secretary Brian Orrell doubts that any shipowner has had to apply for work permits, as the Inland Revenue has told him should happen

this process – and he says they can't provide it. "Quite clearly there has been no consultation between departments," he says ●

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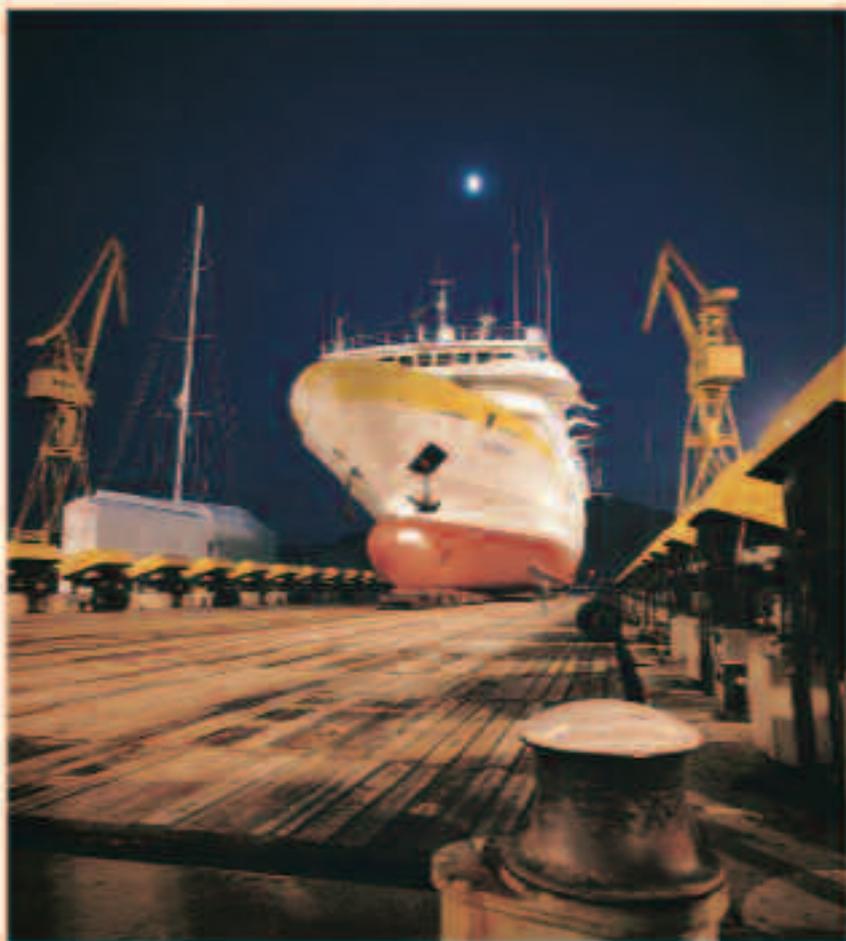


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But where will it end?

FOR the past six months we have been firefighting, said Mark Brownrigg, DG of the UK's Chamber of Shipping. He was expressing his frustration at what he sees as the negative impact of changes in wage and tax rules, not only directly but also in terms of the signals they send to the wider community about the UK government's commitment to shipping. Sadly, we'll see jobs lost to keep the wage bill down. It's the only variable in international shipping.

Brownrigg's latest warning comes as the Chamber of Shipping's newsletter this month celebrates taking what it calls the sting from misguided government proposals that would have caused a massive exodus from the UK register. That was a reference to proposals earlier this year to repeal part of the UK's Race Relations Act, which would have prevented seafarers resident overseas from being paid at rates of pay appropriate to their countries of domicile. As many as 400 ships could



We weren't joking when we spoke of the 11th hour and the Last Chance Saloon
 Mark Brownrigg,
 UK Chamber of
 Shipping

have re-flagged had those proposals not been changed.

Yet those changes came about through a consultation process led by the UK's Department of Transport, under which shipping policy is administered. The argument was that wage levels were not based on race, but on the costs of living where they actually live, the newsletter quotes Brownrigg as saying.

Why can't the same lobbying process achieve a similar result over next month's changes to National Insurance rules? Because, pointed out Brownrigg, they are being brought in by the Inland Revenue – a government department that has no reason to consider the relative merits of one industry over another. It's a non-maritime overlay on a maritime matter, which doesn't work, he said ●

Cock-up, not conspiracy

AT THE CHAMBER of Shipping, Mark Brownrigg expressed "puzzlement" that the Inland Revenue was pressing on with its proposal on National Insurance, describing its plans as "misguided, not misintentioned; cock-up, not conspiracy". The changes, he predicted, would have a "complex and negative impact", and he expressed the hope that the measures would be deferred "or, ideally, withdrawn".

There is no hope of that. *Fairplay* contacted the Inland Revenue's press office, which revealed that there is no intention to delay or alter the proposal. "The discussions relate to the administration of the change," said a spokesman, "not to the change itself."

Brian Orrell, general secretary of ships officers' union Numast, finds this approach frustrating. There are still many uncertainties over the NIC changes and "every time we ask the Revenue a question we get an answer back requiring 10 more questions," he commented last week ●

Potential time-bombs for shipping

Race Relations Act: Since 1976, this act has included an exemption allowing foreign seafarers employed on UK-registered ships to have their wages related to their home countries' pay norms if they were recruited outside the UK. Last April, the Chamber of Shipping described the suggestion by the UK's Home Office that this could be withdrawn as "the most serious threat to the UK mainland flag for many years", predicting that more than 400 ships could flag out. After lobbying by industry leaders and

the Department of Transport, the exemption was retained, although all other aspects of the Act were made applicable to seafarers.

Minimum Wage Act: The UK's minimum wage is currently £4.20 (\$6.59) per hour, but contemporary guidelines said that this did not apply to a seafarer "if all his work takes place outside the United Kingdom or if he is not normally resident in the UK, even if he is on a British-registered ship." A later amendment – seemingly made

without the industry's knowledge – restricted the exemption to foreign seafarers "working outside the UK".

National Insurance: A concession confirmed by the Inland Revenue in 2000 exempts employers from paying these contributions for seafarers on ships mainly trading in UK territorial waters and whose services were contracted from an offshore company. Apparently at the prompting of the Transport and General Workers' Union – which was concerned about

offshore contractors employed on a specific towage contract – the Paymaster General unexpectedly made a statement in April describing the exemption as "a loophole". He added that the government intended "to prevent avoidance of employer's NICs by shipping companies operating within UK territorial waters."

The Revenue says that draft guidelines subsequently produced will minimise the impact of the regulations. However, the changes will come into force on 6 October ●

National Insurance shocker

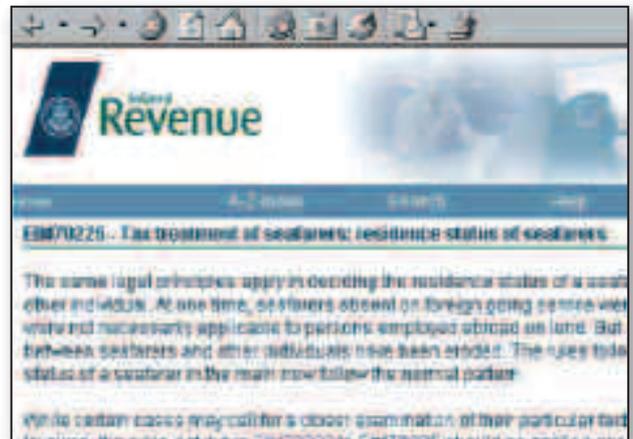
THE INLAND REVENUE is set to levy extra taxes from next month, in the form of National Insurance Contributions. These are taxes paid by employer and employee, ostensibly to fund such things as the UK's National Health Service.

Usually, changes in tax rules are announced by the UK's finance minister during his annual budget statement a few weeks before the 6 April start to the tax year. This change, however, was made public in a press release two weeks into the tax year, in which the Paymaster General, Dawn Primarolo, spoke of the government's intention to prevent "avoidance of employer's National Insurance Contributions by shipping companies operating within UK territorial waters". She explained: "Workers on ships in the UK [should] have the same rights and entitlement to benefits as other UK workers, and the operators of those ships pay the same contributions as other employers."

It was two months before any industry consultation

took place, when representatives of employers, unions and others gathered at the Inland Revenue's London offices on 30 June. Whether that meeting was a success or not depends on whom you ask. Philip Parr, shipping tax partner at accountant Moore Stephens, told *Fairplay* that the meeting did not resolve anything. Yet in a letter last month to Edmund Brookes, deputy DG of the UK's Chamber of Shipping, an Inland Revenue civil servant recalled the gathering as "useful in clarifying the issues".

Employers and unions speak with one voice on this issue. A spokesman for the officers' union Numast opposed the change, saying: "It's not a loophole. It's a recognised way for the industry to compete internationally." ●



FOG ON THE LINES: The Inland Revenue website illustrates the sort of confusion that has now come to a head: "Over the years the distinctions between seafarers and other individuals have been eroded," this note says



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World maritime focus on London

Next week's convention is not only promoting London as a maritime centre, it is also promoting the industry to the public

NEXT week's three-day London International Shipping Convention will make the city a focal point for global shipping. The event, which is organised by Seatrade, will take place on 16-18 September at Excel, London's newest exhibition and conference venue, located in the heart of London's Docklands at the Royal Victoria dock.

The exhibition has around 140 companies from 20 countries showing a comprehensive range of

services, equipment and systems. Complementing this will be the Inmarsat Village and IT Centrepiece. There are also plans to have three ships berthed alongside: the lighthouse tender *Patricia* and two vintage tugs.

As important as the exhibition is the impressive number of events scheduled to take place. The main conference running throughout all three days is Money & Ships, with each morning and afternoon session focusing on

RIGHT: The International Shipping Convention will be held at the new Excel exhibition centre in London's Docklands



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different themes, such as finance, competitiveness in Europe and tankers. Parallel sessions make it possible for visitors to tailor a schedule to their own requirements.

Running alongside this are several other events comprising seminars, forums and organisation meetings.

On the third day of the event, an Education and Careers day is being held as part of the Sea Vision campaign, which aims to promote the UK's maritime future. Around 1,000 students, aged 15-18 from over 30 schools and colleges in London, the southeast and east of England, will be visiting the convention to participate in activities related to their GCSE courses in engineering, applied science, business and enterprise, and design and technology. In conjunction with this, a Professional Development Day for around 20-30 teachers and careers

Events coinciding with the convention

- **Bulk carriers seminar (Intercargo)**
- **Ship and Port Security (Bimco)**
- **Port & Cargo Handling (Port of London)**
- **London's Legal Revolution (Admiralty Solicitors Group)**
- **Baltic Derivatives Forum**
- **Quality of Marine Fuels Forum (ExxonMobil)**
- **Clustering Activity in the Maritime Sector (Chamber of Shipping)**
- **Procurement & Partnership Workshop**
- **Death of the Single-Hull Tanker (IMarEST/RINA)**
- **London Maritime Arbitrators Association seminar**
- **Integrated Bridge Systems and the Human Element (Nautical Institute)**
- **Marine & Research Development Workshop (SSA)**

advisers will help them understand what the maritime sector is all about and learn about maritime careers.

Another feature of the convention will be the presentation of the first Inmarsat Universal Crew Calling Award. This will be given to the company or individual

who is judged to have demonstrated a significant innovation or advance in technology that will directly enhance seafarers' ability to contact home from onboard ship.

The convention is sponsored and supported by several London and UK companies and organisations. The principal sponsors are Lloyd's Register, ExxonMobil Marine Fuels, the Port of London, the Shipbuilders & Shiprepairers Association (SSA), the Royal Bank of Scotland and Inmarsat.

There is also a large group of supporting organisations, including the Maritime London Campaign, the Society of Maritime Industries (which is the umbrella body for five maritime trade associations covering both merchant and naval marine equipment ports and terminals), the offshore sector and oil-spill control, and more than 20 London-based UK and international maritime-related bodies ●

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What's it worth?

The UK has the largest maritime sector of any European country. Estimates suggest that it is worth nearly £37Bn (\$60Bn) per year and that it employs over 250,000 people, either directly or indirectly, per year

WITHIN THE UK, maritime is one of the largest economic sectors both in terms of turnover and employment. It is also a major generator of exports valued in excess of £8Bn.

As the table below shows, within the maritime sector the biggest industry is oil and gas, followed by the shipbuilding, repair and engineering area, shipowning and maritime services. It is in the latter two sectors that London holds its prominent position across the diverse range of services including

marine insurance, ship finance, legal services, shipbroking and chartering, consultancy and arbitration.

The UK merchant fleet has been rejuvenated over recent years since the UK government introduced a tonnage tax regime that not only encourages owners to be based in the UK but also supports jobs in the industry through a requirement to employ or fund British cadets.

Another factor in the growth of the fleet is the attitude of the UK Maritime & Coastguard Agency



ABOVE: Perhaps the only Red Ensign to fly in the City of London hangs outside the Chamber of Shipping offices, but shipping has a significant impact on the capital's business

(MCA) towards encouraging ships onto the UK register.

As of 30 June 2003, the UK-owned fleet comprising trading and passenger vessels of more than 100gt totalled 618 vessels of 10.85M gt and 13.335M dwt. This compares with 1999/2000, when there were 617 vessels of 7.196M dwt, so the fleet has almost doubled. The fleet includes vessels registered in the UK but also foreign companies using the UK flag ●

INDUSTRY	TURNOVER (£BN/YEAR)	VALUE ADDED (£BN)	EMPLOYMENT
Oil and gas	9.20	N/A	25,000
Shipping	5.12	2.40	31,500
Manufacturing	5.20	2.53	40,600
Shipbuilding/repair	2.54	1.27	24,000
Marine Equipment	2.66	1.26	16,600
Maritime Services	4.54	1.08	13,000
Ports	1.69	1.18	25,000
Defence/Naval	6.66	2.53	61,500
Leisure Marine	1.61	0.94	26,378
Other*	2.82	1.17	30,460
TOTAL	36.84	11.83	254,238

*Includes telecommunications, research & development, education & training, fisheries, minerals and aggregates, new technologies and ocean survey.

Compared with other key sectors in the UK economy:

SECTOR	TURNOVER (£BN/YEAR)	EXPORTS (£BN)	EMPLOYMENT
Oil and gas	9.20	N/A	25,000
Maritime	37.0	8.3	255,000
Aerospace	18.5	11.7	150,000
Agriculture	15.0	8.6	550,000
Utilities	46.0	0.0	135,000



"THE biggest thing we have to do is to forget about the heyday," says Tom Dougherty (above), assistant director of the UK's Shipbuilders' and Shiprepairers' Association (SSA). Yet even in its shrunken form, the industry is still competitive in some sectors. For newbuildings, the remaining UK yards have developed as specialists in smaller, special-purpose, often high-tech vessels. "Japan and Korea are not interested in such vessels," explains Dougherty. Dougherty describes it as "an industry that

Yards are lean and focused

understands what has to be done and is agile enough to be getting on with it. Turnover is up, as are profits, and more ships are being built."

UK yards build 25-30 vessels per year aggregating 140,000cgt, but there is sufficient capacity to build almost as much again. The industry generates £1.6-2.0Bn (\$2.6-3.2Bn) per year.

Naval shipbuilding accounts for the largest vessels built in the UK, but this sector "is likely to be hit by the skills shortages that are facing a number of industries such as for electricians," says Dougherty. "There are enough people out there but it is a matter of attracting them."

On Tyneside AMEC Offshore is working on the fitting out of the *Bonga*, one of the world's largest FPSOs, which was built in Korea but has come to the UK to be completed before going to work in Nigeria. Other small yards include Appledore Shipyards and

Richards Drydock in Great Yarmouth.

Harland & Wolff is maintaining a strong presence in the repair market and is proving very competitive by being able to call on a pool of subcontracted labour.

"There is a great deal of innovation in UK yards," says Dougherty, citing examples of steel-cutting work being carried out by McDuff Shipyards, winch-building at Richards and the SSA's Steelwork Special Interest Group, which involves seven SSA members who are all sharing the results. "One new project which SSA is working on and should launch by December is the design for a small tanker which could be built in UK yards, the sort operated by Everards," adds Dougherty. "The industry is much leaner but is being very proactive." And the R&D director of one of the bigger repairers told *Fairplay*: "In 30 years I have never seen such a spirit of collaboration as today" ●

"The likes of Japan and Korea are not interested in such vessels but we have developed a strong presence in this market with some very good builders"

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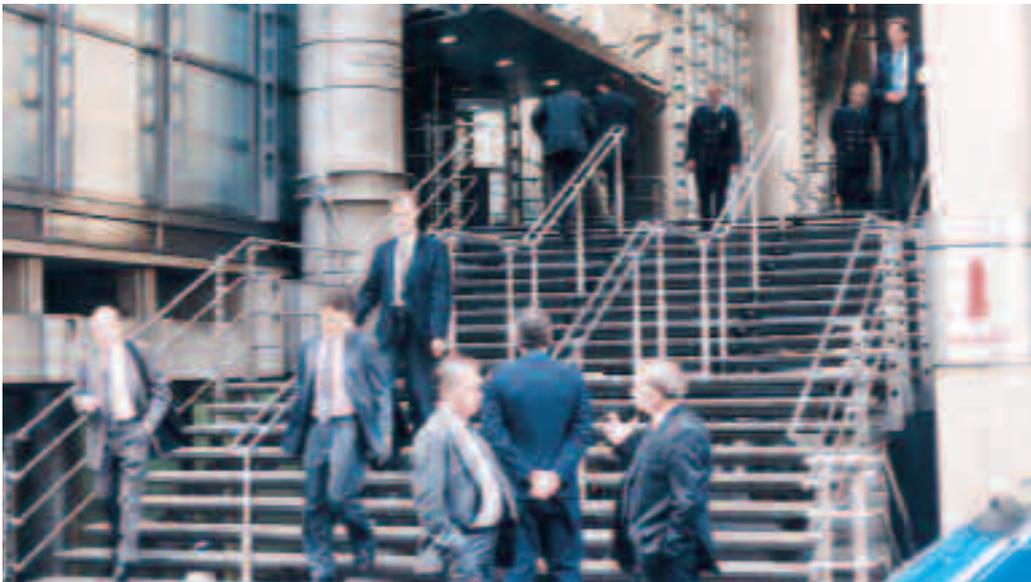
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No room for complacency

With service centres worldwide hungrily eying its shipping sector, London knows it has to innovate to stay on top of the game



“UNTIL a few years ago, London was very complacent about its position as a leading maritime centre. No more,” says Tony Funnell, who is the director of the Maritime London campaign and has 38 years’ experience at the Institute of London Underwriters. “There is no room for London to be complacent about its future as a maritime centre.” Singapore has even launched a programme cheekily called “London Plus”, which is focused on winning more maritime service business.

That is why Maritime London was launched and its aims are very clearly defined: to maintain and enhance London’s position as the world’s premier maritime centre; to promote all the maritime interests in London; and encourage inward location of foreign maritime interests.

This campaign is seen as being both

The UK must work hard to retain its status as one of the world’s premier maritime centres

necessary and timely to combat the competitive threat and also give a new focus and appreciation of the strength

Singapore has even launched a programme cheekily called “London Plus”

of London’s position. Because this position has been established over centuries with names such as Lloyd’s and the Baltic Exchange, each part of the City’s maritime services has gone on working in part in isolation with no one taking an overview. This is where Maritime London, initially supported by the City of London Corporation, comes in and it is now actively working with all the key organisations to share in promotional initiatives.

London’s maritime services sector employs around 14,000 people, which is about five per cent of the City’s workforce. The leading institutions, Lloyd’s of London and the Baltic Exchange, have had to adapt to new circumstances. For the Baltic its main challenge has come from technology. Today the Baltic’s role is as a provider of information, rather than as a meeting place, distributing it electronically around the world.

“This information is unique and is not available anywhere else in the world,” Bill Lines, development executive at the Baltic, told *Fairplay*. “For the future we are looking at issuing sale and purchase valuations to add to the dry and wet indices and we are also looking at how we can further develop the derivatives market.”

Greeks are ready to pack

LONDON’S pre-eminent position faces a challenge from proposals to change the tax regulations for non-domiciles such as London Greek shipowners. So far, this has not been

London-based Greek owners are threatening to move their operations back to Greece

acted upon because of the potential losses the City would suffer.

A study by a leading consultancy suggests that such a ruling could remove between £5Bn and £10Bn of the UK’s GDP and would result in a mass exodus of foreign nationals. The Greek Shipping Cooperation Committee has responded to this very strongly and London-based Greek owners are threatening to

move their operations back to Greece if their non-domicile status were taken away.

A spokesman for one of the London Greek owners told *Fairplay*: “This challenge is put forward every so often, and if the government goes ahead with the plan London could suffer a major loss. We have seen this before and hope that common sense will prevail.”



Sea Vision takes the maritime message to a wider community

Seeing the vision

RESEARCH has shown that the British have little or no awareness of the maritime sector. Sea Vision UK, a campaign launched in January this year, aims to reverse that and to achieve a fundamental shift in public attitudes. The campaign has two core objectives: to raise the profile of the maritime sector with the general public and to target awareness among the young. A third objective is to develop greater co-operation within the sector.

Sea Vision has both national and local dimensions and has attracted over 100 partner organisations, including *Fairplay*. It is led by the Chamber of Shipping and its supporters include a cross-section of the industry: shipowners and managers, ports, shipyards, marine equipment manufacturers and London's maritime services, such as finance

and legal firms. Supporters include maritime academics, nautical colleges, professional institutes and voluntary societies. The UK government and Royal Navy have also lent their support.

A steering committee has been established and is now putting a strategic plan in place. Supporting the core group are a number of *ad-hoc* task groups dealing with such areas as education, training and careers, public relations and statistics.

To handle the local dimension, a number of co-ordinating committees are being formed that benefit from local maritime companies, associations, professional bodies, colleges and museums, politicians and regional development

agencies. Already Mersey Maritime, Marine South West, Maritime London and the South East England Development Agency's Marine Task Force are active in working with Sea Vision in their areas. Similar initiatives are under way in Yorkshire and Humberside and Scotland, with meetings being planned for other regions. A number of events have been attended to promote Sea Vision, but the London Maritime Convention presents a major and international opportunity.

Website: www.seavisionuk.org.



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Living for the rules

Most of us live by the rules, but for Washington, DC maritime attorney Dennis Bryant, rules are the life



By Michelle Wiese Bockmann
Americas Editor

FEW can understand and track the plethora of US rule-makings and regulations dumped on the maritime community. Dennis Bryant can. As senior counsel with prominent law firm Haight Gardner Holland & Knight, he monitors every maritime-related congressional, judicial and administrative move, no matter how minuscule it seems, from his comfortable Washington, DC office on Pennsylvania Avenue.

From these insights he threads together the bigger picture of the current environmental and regulatory climate and trends, for some of the world's largest shipowners and lobby groups. The resulting prescience, along with the connections to some of the key US decision-makers in maritime policy, comes courtesy of a long-time, distinguished career in the US Coast Guard.

It's no surprise that Bryant cites his career highlight as the years he spent with the US Coast Guard supervising rulemaking for the Oil Pollution Act of 1990 (OPA'90). "We made a difference ... we were a small group of 44 people writing regulations furiously for three to four years," he says. "Today significantly less oil is spilled in US waters."

CHANGING SIDES

Until the maritime security laws were passed after 9/11, OPA'90 had been the largest ever maritime regulatory

undertaking in the US. Today, as the maritime security debate heats up, Bryant is sitting on the other side of the fence, and is an active participant in debate. He says he's enjoying his "second career" practising maritime law in the private sector after years of public service. "The US Coast Guard does not guarantee lifetime service, so I had to leave," he says. Among the last regulatory tasks listed on his CV is that of author of the Coast Guard Regulatory Reform Act of 1996, which he says helped the agency streamline many of its merchant marine monitoring practices.

OFF THE RECORD

Bryant speaks with the care and precision you'd expect of any attorney at the top of the maritime food chain. He frequently goes off the record to underscore what he really thinks about significant regulatory maritime issues, rather than risk being compromised by a careless quote published out of context. When asked his opinion about the performance of the world's international maritime regulator, the IMO, Bryant laughs and thinks carefully before coming back with his reply: "The IMO works only as well as it's respected."

He prefers to say off the record which regions he thinks don't respect the IMO. On the record, he suggests that the US Coast Guard's detention list helps identify countries associated

RIGHT: "We made a difference": Dennis Bryant's stock in trade is knowing every maritime regulation, rule-making and bill ever proposed or submitted in the US

with sub-standard vessels and therefore having little respect for the IMO. On one of the most contentious pieces of US maritime regulation, the Jones Act, which preserves cabotage trade for US-flagged vessels, he keeps his opinion private. On the record, he says: "We need to be more competitive," noting that the US succeeds at everything it takes on.

Bryant does have some strong thoughts on the *Prestige* oil spill case, now a billion-dollar lawsuit in New York courts, and the decision by some EU countries to ban single-hulled vessels from their waters. But with his law firm representing the government of Spain in legal action against class society ABS, he keeps away from the specifics. However, about the possibility of single-hulled vessels being banned in US waters, as in the EU, he says: "Legislators here in the US have minimal interest in re-opening the single hull phase-out schedule contained in the OPA'90 laws." But he does note with irony that the EU is now banning single-hull tankers in an accelerated phase-out "doing exactly what they severely criticised the US for in 1990" when it embarked on OPA'90 in response to the *Exxon Valdez* oil spill in Alaskan waters.

LOCAL HEROES

Pressed to name maritime regulators he admires or thinks are doing a good job, Bryant names outgoing IMO secretary general Bill O'Neil and

"Legislators here in the US have minimal interest in re-opening the single hull phase-out schedule contained in ... OPA'90"



Admiral Thomas Gilmour, who heads the US Coast Guard Marine Safety Office, as topping his list. When asked about those in Congress he admires, he jests “It’s a much shorter list.” He names Senators Fritz Hollings from South Carolina and John Breaux from Louisiana, noting that the former is retiring and the latter expected to announce his retirement soon. Ranking member of the House Transport committee Congressman James Oberstar and chairman of its Congress sub-committee Frank LoBiondo are among “the most knowledgeable”.

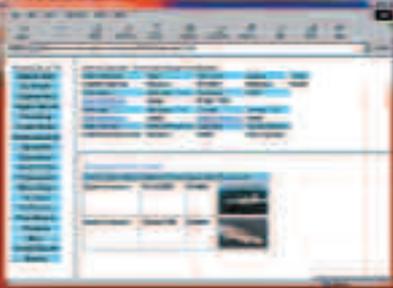
An almost encyclopaedic knowledge of maritime legal and regulatory history helps give Bryant the perspective that provides context to be able to dot the legal ‘i’s’ and cross the ‘t’s’. Many of his regulatory discoveries he unearths tucked away in public notices and departmental websites,

which are published in a daily e-mail he sends to clients and industry leaders.

FOCUS WILL RETURN TO THE ENVIRONMENT

Bryant praises the cruise industry for its environmental leadership, but notes that the US is getting tougher on environmental issues, especially pollution, penalising many owners for falsifying oil record books, even though it’s been an accepted industry practice. He says insufficient attention is paid to the issue of oily water separators, and he sympathises with chief engineers on vessels worldwide. But after maritime security is sorted out – and he firmly believes everything will be sorted out in the end – the focus will return to the environment. He predicts that the next regulatory run-around facing shipowners trading to the US will be over ballast water management.

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Adopt a lighthouse

RULERS may come and go, but the lighthouses they installed will stay. This tenet apparently underlies current efforts to preserve surviving lighthouses that were built during Spanish colonial rule in the Philippines in the 17th and 18th Centuries. Having long provided valuable services to navigation, the lighthouses have been preserved, but lack of resources for their long-term maintenance endangers their continued existence.

So in keeping with 21st-Century sensitivities, the Philippine Coast Guard has launched a project to renovate them. The Adopt a Lighthouse scheme (known as *Ilaw Mo*,

Buhay Ko in Tagalog: Your Light, My Life) is intended as a corporate undertaking for private companies, which would arrange the finance for restoring the old guiding lights in conjunction with non-government organisations.

Coast Guard chief Vice Admiral Reuben Lista, who leads the project, sees the attempt to restore the centuries-old beacons as demonstrating a deep sense of national history. Twenty Spanish colonial lighthouses have been preserved to date on strategic coastal spots throughout the archipelago, testifying to the heyday of the Spanish galleon trade between the Philippines and Mexico. To pay due respect to

those national legacies, the Coast Guard leadership intends that no structural alterations be made during the restoration process, which is to be spelled out in a memorandum of agreement with the restorers.

At the same time as paying homage to the country's

Cape Bojeador Light still stands tall on the Philippines coast at Burgos, Ilocos Norte after 111 years standing up to the worst of the South China Sea. The light is automated and solar powered, but there is still a resident keeper

maritime heritage, the project will allow the current coastguard leadership to see state-of-the-art upgrades to, and maintenance of, existing navigational aids. To start the project off, the local government in an Ilocos town in the northern Philippines has volunteered to rehabilitate and maintain one old lighthouse in that area.

The Coast Guard says restoration activities will not only be geared to correcting the deteriorating standards of our beacons, but will also help generate travel and tourist destinations in the immediate environs. A significant number of multinational companies have shown interest in the project, and Lista says it is in his country's best interests to upgrade its navigational instruments to world-class standards.

The renovation project coincides with the Arroyo administration's approval for 17 priority lighthouses, equipped with communication facilities, to be built to guide inter-island ferries. In all, 120 lighthouses are being planned throughout the archipelago as part of measures to improve ferry safety. The shortage of beacons has been cited as one of the factors behind increasing numbers of ferry accidents, especially during the typhoon season. The lighthouses will be partly funded by the Spanish government. They will form a vital component of President Arroyo's nautical highway project to link all major islands in the country with seaborne trade lanes. ●



Déjà vu – 1903 and 1953

ON the technical side, the Royal Navy reportedly had encouraging results from its use of oil fuel; however: "The development of liquid fuel in its application to the mercantile marine generally is not making the rapid progress that was expected."

Another article suggested that coal-gas would replace the direct use of coal in many applications, on the theory that as coal lost 10 or 12% of its steam-raising power after long storage in the open, it should be stored submerged. And Cunard had appointed a Commission to study the feasibility of fitting turbines in future liners.

Laeisz of Hamburg probably thought: "Who needs turbines?" The five-masted barque *Potosi* had just passed Prawle Point a record 57 days from Iquique.

In 1953, there were many readers' letters strongly supporting the suggestion that it was important for young deck officers to learn cargo handling and stowage as well as navigation. This naturally had the approval of the cargo-handling association ICHCA, which had just arranged a symposium on Unit Load and Palletisation, and had concluded: "So far as certain cargoes are concerned, we are on the threshold of revolutionary developments which will enable goods to be loaded into containers as unit loads, or as standardised pallets..." ●

Playing dice with the reaper...

BROKERS, like ships, should not be bought when prices are high. A broking house with a weaker dry desk and ambition might comfort itself with this business tenet as it looks on at a boiling bulk freight market. Of course the downturn will come and brokers and ships will be more reasonably priced then. But this downturn looks further off than it ever did. If anything, the market peak just seems to retreat further into the clouds.

Brokers tell *Fairplay* that it is pretty instinctive for Greek owners in particular to borrow as much as possible when money is so cheap, which is no doubt part of the explanation why prices for ships have been bid up so sharply. And surely there also comes a point when all those good freight earnings start to feed straight back into the newbuilding and (just as likely given the paucity of yard space) S&P markets once more, giving yet another boost to prices?

The past couple of months have generated another round of price escalation in the bulker market, now filtering down to even the most unfashionable end of the fleet, the Handysize. Net of scrap value, Clarkson data suggests

that five-year old prices reached nearly 80% of newbuilding prices last month, despite steady escalation in average newbuilding prices. This is the highest level for two years.

At an extraordinary \$19.8M, three-year old Handymaxes are now changing hands at a level that would have secured a newbuilding just seven months ago. In fact, these modern Handymaxes are once again selling for more than the average five-year old Panamax, which itself has appreciated by a further \$0.5M since June to \$19.3M.

Sticking to the tenet of 'buy low' might not be the best approach in the tanker market, however, although perhaps this is where those with a real eye – and a real taste for a risk – are at the moment. Courtesy of Clarkson data once more, the steady erosion of values for these vessels has been highlighted on these pages ever since the devastating blow to their prospects that was the *Prestige*. By the end of last month it became clear that single-hull, 10-year old Aframaxes accounted for 35% of

net replacement costs, down from around 50% at the same time last year. That is down from \$18.5M to about \$16M, while a double-hull vessel of similar vintage has moved up from \$23M to \$25M overall.

But it could be that prices are now at a level to compensate for the collapse in trading opportunities, attracting those brave or foolish investors with a real appetite for the game and a belief that they can buck the regulators, charterers and the rest. Single-hull Aframax values for a 15-year vintage *gained* in average price last month. Perhaps this is a statistical aberration for just the one month. On the other hand, the low prices may now be offering a unique opportunity, particularly for vessels without that much 'natural life' left in them anyway, but time enough to turn a profit ●



Photo: Dale Crisp

ABOVE: Modern, second-hand Handymaxes are worth as much as newbuildings

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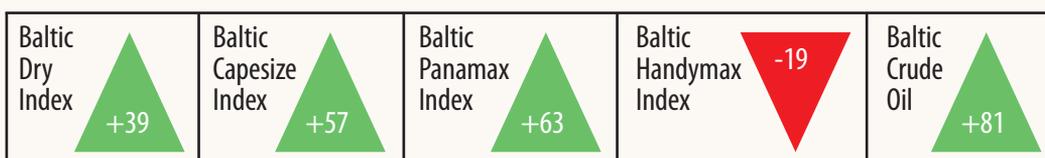
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At a glance: Week-on-Week changes in the major market sectors



Alstom rescue raises EC eyebrows

ALSTOM'S rescue by the French government is due to be approved at an extraordinary general meeting towards the end of this month; however concerns expressed last week by EC competition commissioner Mario Monti have made that less of a formality than first appeared.

MONTI warned last week that he could suspend French state aid to Alstom, the troubled engineering group that controls the shipyard Chantiers de l'Atlantique (Fairplay

Dark times for Chantiers de l'Atlantique as EC scuppers rescue package

Daily News, 5 September) even though France has already begun helping Alstom. "The rules are clear," an EC spokesman said. "Any state aid into a company must first be approved by the EC, which has not been the case so far with Alstom."

Monti's concern echoes that of rating agency FitchRatings,

which issued a report a few days earlier describing the French intervention in Alstom as highlighting "a systematic disconnect between the developing uniformity in European financial markets and the disparate regulatory regimes of its member states." In a scathing analysis, it says that what it calls "the Alstom affair" "underscores the arrogance of member state politicians concerned with protecting national champion companies and appeasing political constituents, while diminishing the authority and effectiveness of EU institutions."

Despite claims by the French government that financial aids to

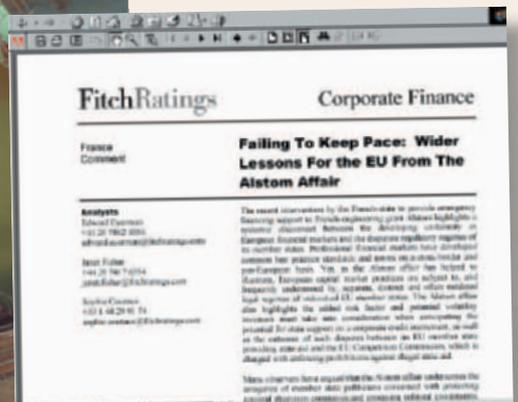
Alstom is "urgent and cannot wait", Monti seems keen to reassert the EU's authority. "We might ask to suspend this until our official approval," Monti said, adding that compensation from Alstom would need to be significant if the EC is to give its approval. "Compensation would need to include asset sales, and what has been proposed so far is not enough. More assets will have to be shed," Monti says.

FitchRatings warns that, if the rescue package is not approved at this month's meeting, acceleration clauses may be triggered and the company "would almost definitely have been forced into liquidation in order to pay off creditors". This seems unlikely, however. Even though Monti's department is investigating the aid, in practice such reviews can take from two months to two years. "No action is expected prior to the extraordinary general meeting," FitchRatings predicts ●

Ratings agency FitchRatings speaks of the "the arrogance of member state politicians" in its hard-hitting report



Photos: Yves Guillotini/Pro-G



Aid plan: The background

The €2.8Bn (\$3Bn) used to re-float Alstom is seen by the group as a long-term restructuring programme to re-organise its loss-making activities and cut its huge debt. It will make the French government Alstom's largest shareholder, with a 31.5% stake, by buying half of a capital increase scheme.

According to the FitchRatings report, however, "influential non-French members of the international syndicate of bank lenders refused to support the proposed refinancing" because they would have to assume legal and financial liabilities as well.

As a result, French members of the syndicate became vulnerable if Alstom hit the buffers and asked the French finance ministry to co-sponsor a €6.3Bn rescue. Along with the state's support, many of the banks are also involved. FitchRatings notes that "whether Alstom's banks would have had the ability or willingness to co-ordinate such a large rescue package without state assistance will be one of the principal questions to be explored by the EU Competition Commission." ●

Frontline plans to divide and rule

FRONTLINE, the world's biggest listed tanker company, is considering plans to divide the company in two in order to raise its valuation on the Oslo and New York stock markets. Raising the idea during a presentation in New York last week, director Tor Olav Troim, explained that Frontline management was considering separating the ship owning side of the business into Frontline Shipping, which would have all the group's assets and liabilities. A new company would then be set up to charter Frontline Shipping's fleet on long-term contracts and trade them on the spot market.

The logic behind the move suggests that Frontline Shipping would have more stable earnings than Frontline currently holds today and it would thus cater for "yield investors" that look for lower risk. The new company would trade the ships and so face exposure to fluctuations in freight rates. Shares in this company would be targeted at investors who are willing to take high risks.

Hild Kinder, shipping analyst at Carnegie in Oslo, however, raises a voice of caution over the planned split. "I have a problem

"I have a problem in seeing how this could raise the valuation"
Hild Kinder

in seeing how this could raise the valuation as the planned new company would have full exposure to the spot market," she told *Fairplay*. The new company would face exposure to highly volatile spot freight markets, and Frontline Shipping's cash flow would eventually remain linked to these. "As the ships would be employed on the spot market, the shipowning company would eventually face the market risk," she continued. There is also the possibility of bankruptcy of the vessel operating company, which cannot be excluded in such calculations. Should it happen, it would seriously affect the ship owning unit.

Henrik With, shipping analyst at DnB Markets in Oslo, is more positive about the plans to increase is share price to match the net asset value of its stock. "If you look at companies such as Teekay or OSG (Overseas Shipholding Group), their shares have historically traded above their net asset value, but Frontline's has not done that," he told *Fairplay*. This relates to the fact that 90 per cent of Frontline's capacity is traded on the volatile spot market, while Teekay and OSG focus more on long-term contracts. The idea to split ship owning and commercial operations into separate companies is, according to With, "probably a good one". ●

Company Shorts

5 SEPTEMBER

First US LNG plant in 26 years: Anglo-Australian mining and energy group BHP Billiton has lodged applications to build what could become the US's fifth LNG import facility.

5 SEPTEMBER

Yacht subsidiary drags Austral lower: Shortage of skilled labour to build luxury motor yachts lay behind "disappointing" figures from Austral's Oceanfast subsidiary for the year to 30 June.

5 SEPTEMBER

Shipping attracts foreign finance: Shipping and transport services accounted for about 10% of the total inflow of foreign direct investment worldwide in 2001.

4 SEPTEMBER

TMM in new court move: Weakened Mexican maritime group Transportacion Maritima Mexicana is facing the prospect of a possible US court order to stop it hurting rail subsidiary TFM.

4 SEPTEMBER

IMO appoints Asia co-ordinator: The IMO has appointed Philippines lawyer Brenda Pimentel as regional co-ordinator for Asia with effect from 16 September.

3 SEPTEMBER

Teekay not behind latest Torm buy: The company that captured a 7.54 per cent holding in D/S Torm is unlikely to have a connection with Teekay, Torm chief financial officer Klaus Nyborg believes.

3 SEPTEMBER

Rickmers brothers in broker move: Bertram Rickmers, the Hamburg containership owner, has moved to acquire half the majority stake in shipbroker Harper Petersen taken by his brother Erck.

3 SEPTEMBER

IMO captive of "mire of corruption": The IMO says it can do nothing to remove Liberia's ambassador to the organisation, Agnes Taylor, despite a call for her to be stripped of the posting.

3 SEPTEMBER

Israel repairer goes to sea: The Shlomo Group, which owns ship repairer Israel Shipyards, says it is about to lease a bulk carrier to carry coal to Israel.

European owners back to work

NEWBUILDING contracts have been beginning to pick up again this week as the holiday period is drawing to a close. European owners have placed a variety of orders with a number of rumours also being suggested.

Genoa-based Costa Container Lines has ordered two 2,785-TEU boxships from Polish shipbuilder Stocznia Szczecinska Nowa for delivery by 2006. They will be deployed in the Mediterranean-East Coast South America service, where CCL has two 2,200-2,500 vessels on charter. "We opted to order newbuildings to fight against the steep rise in freight rates due to the demand for tonnage on the Far East trade," CCL MD Emilio Falsetti told *Fairplay*.

Volkswerft Stralsund last week won an order for two 2,500-TEU boxships from Claus-Peter Offen. The shipbuilder will use its VWS 2500

design, although modifications will be made to meet the owner's requirements. In 2000 and 2001 Offen received four 2,500-TEU vessels from Samsung; however it is the first time it has ordered this particular ship type from Volkswerft. The AP Møller-owned yard said it has achieved an increase in efficiency that enabled it to offer a reduced price, therefore allowing it to compete with Asian yards.

Kristen Navigation has made a surprise purchase, ordering a 145,700m³ LNG carrier from Daewoo with an option attached. The Greek shipowner tends to specialise in tankers. Daewoo vice president Ko Jae Ho said the order would stimulate the market for newbuildings among Greek owners.

There have also been rumours involving European shipowners. Daewoo has apparently

won two 6,400-unit pure car/truck carriers from AP Møller. Final details are still under discussion but it is thought that there are two options attached. Another South Korean shipbuilder, STX Shipbuilding, has been holding talks with several European owners regarding product carriers and LPG carriers, although no names have yet been revealed.

Broker reports suggest that Greek owner Union Commercial has placed its first newbuilding contract with Zhejiang Shipyard. Delivery of the 53,000dwt bulk carrier is scheduled for 2005 and the owner has an option attached. The Chinese shipbuilder now has four bulkers scheduled for delivery in 2005.

Japanese builder Oshima is rumoured to be the first yard to take a booking for 2009, reportedly for a long-standing European customer. The yard has a full order book and is now concentrating on orders for delivery in the second half of 2007 and 2008.

What we anticipate seldom occurs;

What we least expect generally happens!

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Newbuilding orders reported week ending September 12, 2003

Shipbuilder	No	Price	Owner/Operator	Delivery	Type	Capacity
Fincantieri	1		Moby Lines	2006	Pass/Vehicle Ferry	36,000 gt
Higaki Zosen	1		Undisclosed Interests	2004	General Cargo Ship	8,200 dwt
Higaki Zosen	1		Undisclosed Interests	2004	General Cargo Ship	9,900 dwt
Jurong Shipyard	1		Wan Hai Lines	2006	Container Ship	2,512 TEU
Szczecinska Nowa Stocznia	2		Costa Container Lines	2006	Container Ship	2,785 TEU
Zhejiang Shipyard	1		Union Commercial	2005	Bulk Carrier Ore	53,000 dwt

Contracts Pending week ending September 12, 2003

Shipbuilder	No	Price	Owner/Operator	Delivery	Type	Capacity
Astilleros Rio Santiago	1		Repsol	2005	Tanker	75,000 dwt
Daewoo	1		AP Møller	2005	Vehicle Carrier	21,000 dwt
Hanjin HI	1	\$48.00M	Rickmers Reederei	2006	Container Ship	5,050 TEU
Imabari Shipbuilding	1		Japanese Interests	2005	General Cargo Ship	12,600 dwt
Kvaerner Masa-Yards Inc	1		Fesco Russia	2005	Icebreaker	4,000 dwt
Leevac Shipyards Inc	1	\$40.00M	US Interests	2004	Casino Ship	
Mawei Shipyard	1		Oldenburg-Portugiesische	2005	Container Ship	700 TEU
Miho Shipyard	1		Japanese Interests	2005	General Cargo Ship	1,830 dwt
Shina Shipbuilding	1		Gestioni Armatoriali	2006	Products Tanker	47,000 dwt

Calisa bumps up products fleet



IN July, Italian ship operator *Calisa* took delivery of the 34,540dwt *Iblea*, a double-hull chemical-product carrier built at 3 Maj in Rijeka. The vessel, currently deployed on the spot market, is a sister ship to the *Maritea*, delivered 12 months ago and on time charter to ENI of Italy. Both vessels are Italian flagged, dual classed with Rina and ABS and can carry IMO II-III products in 12 segregated tanks plus two slop tanks and a recovery tank, all phenol-epoxy coated and equipped with submerged Framo pumps.

Calisa is associated with Ottavio Novella of Genoa, a family-run group active for 50 years in bunker barges and more recently extended into the clean product tanker sphere. "In the past 10 years we have given Croatian shipyards four newbuilding orders and a variety of ship repair jobs, totalling \$100M worth of work," *Calisa* MD Marco Novella told *Fairplay*.

The double-hulled chemical carrier *Iblea*, just delivered by Croatian shipyard 3 Maj, is a sister ship to *Calisa's Maritea*, delivered last year

Shipping shorts

SHIPOWNERS will be pleased to learn that the prices of newbuildings in Japan could drop even further over the next few years, although in the long term they may not benefit. With the number of orders placed recently, as of next year there will be a decrease in the demand for vessels, so yards will have to drop their prices.

According to the Japan Maritime Research Institute, prices will stay low until 2010. Since 1991, the price of vessels has gradually been going down and shipowners have been taking advantage. This will have the long-term effect of overcrowded yards and very few new orders being placed. Also, both South Korean and Japanese yards have been so concerned about the number of orders that Chinese yards are receiving that they are concentrating more on bringing the orders in and less on the prices they charge.

Yet there seems to be little shortage of orders, with most Japanese yards taking orders for over three years hence. Remarkably, Oshima has even taken a booking for delivery over five years ahead (see left).

Contracts Pending week ending September 12, 2003 (continued)

Shipbuilder	No	Price	Owner/Operator	Delivery	Type	Capacity
Trogir Brodogradiliste	1		Novoship Novorossiysk	2005	Products Tanker	47,000 dwt
Unknown	1		K-Line - Kawasaki Kisen	2006	Container Ship	8,000 TEU
Unknown	1		Yangming Marine Transport	2006	Container Ship	8,000 TEU
Volkswerft Stralsund	1		Offen, Claus-Peter	2005	Container Ship	

Deliveries recorded week ending September 12, 2003

Vessel	Shipbuilder	Owner/Operator	Type	Delivery	Capacity
Astro Cassiopeia	Daewoo	Kristen Navigation	Crude Oil Tanker	Sep 03	159,000 dwt
Atlantcat	Blount Barker	US Interests	Multi-Hull Pass Ferry	Sep 03	400 gt
Energy Star	Universal Shipbuilding	Orient Marine	Bulk Carrier Ore	Sep 03	75,250 dwt
Iran Hamoon	Hyundai HI	National Iranian Tanker	Crude Oil Tanker	Sep 03	279,400 dwt
Kaluga	Hyundai-Samho	Novoship Novorossiysk	Crude Oil Tanker	Sep 03	114,800 dwt
Miltiadis M	STX Shipbuilding	Liquimar Tankers	Chemical/Oil Tanker	Sep 03	70,511 dwt
Nevskiy Prospect	Daewoo	Sovcomflot	Crude Oil Tanker	Aug 03	115,000 dwt
Red Iris	Sanoyas Hishino Meisho	Marubeni	Bulk Carrier Ore	Aug 03	75,500 dwt
Sinbad	Hyundai Mipo	Admanthos	Products Tanker	Aug 03	45,000 dwt
Sv Georgiy	Severnaya Verf	North-Western Shipping	Multi-Purpose Ship	Aug 03	

Still hungry for bulkers

THE dry bulk freight market rebounded again last week, but its mild downturn had not had time to affect the market's appetite for bulkers. Considering the number of inspections

underway and the level of interest they are attracting, there is little to indicate any immediate slowdown in the S&P market. The World-Wide Shipping-controlled



Panamax *United Sage* achieved \$18.8M last week, more or less in line with today's bullish values for a 1998-built vessel, and well in line with the sale of the 1997-built *Sea Magpie* in July for \$17.65M, says JE Hyde. However, as the broker points out, the vessel comes attached with a time charter well below today's market

rate. Therefore the price probably reflects a discount to compensate, and the market may actually have seen another uptick in prices.

World-Wide is reportedly in the process of putting more tonnage on the market, with a further three Panamax vessels in the pipeline. But it is also reported to have sold the Handymax (43,000dwt) *United Purpose*, receiving \$19.6M for the 1998-built vessel. This is an extremely good price, and the \$13.3M paid for its *Pacific Governor* also compares favourably with the \$12.5M sale back

Bulkers are still setting new price highs, and the uptick in newbuilding prices of late may stimulate in second-hand vessels further

Containers & multi-purpose

INDAMEX NEWYORK (Container) ex-San Antonio: sold by V.Ships, Norway to Lomar, UK, \$15.70M. 1994. 20,194dwt, 16,043gt, 1,504 TEU. Built Thyssen Nordseewerke, Mitsubishi, 16,802bhp/19.7kt. To be operated by Lagoa, Greece

PAN OASIS (Multi-Purpose) Tbn-Thor Nautica: sold by Pan Ocean, South Korea to Thoresen, Thailand, \$4.00M. 1988. 18,100dwt, 13,607gt, 670 TEU. Built Warnow, Sulzer, 9,510bhp/14kt.

Bulkers

ACHILLES (Ore Strengthened): sold by South Bulk Carriers, Liberia to undisclosed interests, \$10.20M. 1989. 68,772dwt, 37,519gt. Built Hyundai, B&W, 12,271bhp/14kt.

ARISTON (Ore Strengthened) ex-Giovanni Grimaldi: sold by Nomikos Transworld, Greece to undisclosed interests, \$15.25M. Last sale: 2002 \$11.50M. 1992. 137,000dwt, 73,115gt. Built Fincantieri, Sulzer, 22,380bhp/14.5kt.

HIGHLAND FAITH (OBO): sold by Prime, Greece to undisclosed interests, \$4.60M. 1981. 77,673dwt, 43,576gt. Built Fredriksstad, B&W, 15,760bhp/15.3kt.

MARIENVOY (Ore Strengthened): sold by Cosco, Hong Kong to Greek interests, \$4.60M. 1982. 58,420dwt, 34,886gt. Built China Shipbuilding Corp, Sulzer, 14,400bhp/15kt.

NAGANITA (Ore Strengthened): sold by Ugland, Norway to undisclosed interests, \$6.00M. 1984. 42,156dwt, 24,942gt, 180 TEU. Built Mitsubishi HI, Sulzer, 9,370bhp/14.2kt.

OTELLO MANSHIP (Ore Strengthened): sold by San Martin, Switzerland to undisclosed interests, \$7.25M. 1985. 42,244dwt, 25,227gt, 914 TEU. Built Mitsubishi HI, Sulzer, 11,520bhp/16.2kt.

PAPENDRECHT AND PENDRECHT (Ore Strengthened): sold by Van Ommeren, Netherlands to US interests, \$9.00M each with time charter back. 1989. 40,908dwt, 26,128gt. Built 3 Maj Brodogradiliste, Sulzer, 9,970bhp/15kt.

ROYAL CHANCE: sold by Marubeni, Japan to Pacific Carriers, Singapore, \$17.20M. 1999.

48,913dwt, 28,073gt. Built IHI Co, Sulzer, 10,335bhp/14.5kt.

SEA ORION: sold by Misuga Kaiun, Japan to Greek interests, \$15.70M. 1997. 47,260dwt, 25,967gt. Built Oshima Shipbuilding, Sulzer, 9,629bhp/14.3kt.

SIBULK PREMIER: sold by Tschudi & Eitzen, Denmark to Harren & Partners, Germany, \$20.50M. 2003. 53,609dwt, 29,985gt. Built Iwagi Zosen, MAN B&W, 12,889bhp

Tankers

INCHON GAS (LPG): sold by SK, South Korea to undisclosed interests, \$2.60M. 1989. 3,197dwt, 3,793gt. Built Korea Sb., Mitsubishi, 4,204bhp/14kt.

LIBRA GAS (LPG) Tbn-Gas Sumatera: sold by Abo Shoten, Japan to Berlian Laju, Indonesia, \$2.30M. 1989. 4,065dwt, 3,449gt. Built Kitanihon Zosen, Akasaka, 3,303bhp/12.5kt.

Newbuilding Resales

HULLNO 0201 (Products Tanker): sold by

in July of sister vessel *Pacific Premier*.

It is KG interest that has given the tanker S&P market most of its life of late as beyond this the market has been pretty quiet. In other words, in what deals there are some pretty good prices are on offer, but prices beyond this specialist interest will undoubtedly somewhat lower. That said, brokers still report sufficient levels of buying interest in the 'real' market, and it is the number of willing sellers that is the limiting factor.

Another possibly 'dangerous' deal has been done. Last week saw news emerge of a KG deal involving a couple of Suezmaxes backed only by time charters of five years. The late 2002-built *Pentathlon* and *Triathlon* were originally contracted at \$43.5M according to Gibson. They

would be contracted today at around \$47M, according to Clarkson data, but were taken off Tsakos' hands for a cool \$56M, including the five-year time charter back at \$22,800/day.

In the eyes of some, the KG company might not have had its investors' best interests at heart with such a short period of cover for the vessels, but the deal has been followed up by another involving a couple of Suezmaxes. The *SKS Sinni* and *SKS Saluda* are both due for delivery by the end of this year, and have been bought by Konig for \$55M each with a five-year charter back at \$23,000/day, although there is the option to extend for a further five years.

Clearly, interest in modern tanker tonnage does remain firm. We also hear news that a

further two Suezmaxes, due for delivery in October this year and May 2004, have been sold to Ugland Nordic at \$56M each, this time fixed long-term to Transpetro of Brazil, according to Norwegian broker O-J Libæk.

Elsewhere in the tanker market, two 1985-built Aframaxes – the *Vukovar* and *Velimir Skopik* – are reported by SSY to be working firm at \$17M *en-bloc*; not bad considering the vintage. Older tankers can still attract good prices, even if they are single-hulled, although it is clear that these prices do remain under pressure. Prospects are obviously better for younger single-skins: the sale of the 1993-built VLCC *Atlantic Ruby* for \$24.5M is evidence of the confidence still shown by some.

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Photo: Fairplay

Novoship Novorossiysk, Russia to Morfini, Italy, \$31.35M. 2004. 46,080dwt, 28,000gt. Built Hyundai Mipo, MAN B&W, 12,889bhp

Scrapped

HELLESPONT GRAND (Crude Oil Tanker): sold by Papachristidis Holdings, UK to Indian

breakers, \$13.92M, (\$238 per LDT). 1976, 421,681dwt, 201,658gt. Built Kawasaki HI, Kawasaki, 45,000bhp/16kt

LADY JUANA (Multi-Purpose) ex-Magic K.: sold by IM Marine Services, UK to Indian breakers, \$0.98M, (\$228 per LDT). 1972, 7,400dwt,

ABOVE: Hellespont Grand was one of the ten biggest ships trading, which partly explains why its scrap value was as high as \$14M!

6,876gt, 112 TEU. Built Szczecinska Shipyard, Sulzer, 5,500bhp/15kt

IMPORTANT NOTICE: ALL DETAILS GIVEN IN GOOD FAITH BUT WITHOUT GUARANTEE

Everglades takes on Chiquita



TROUBLED American fruit company Chiquita Brands has taken out a ten-year renewable lease agreement with Broward County Board of County Commissioners to establish a container cargo terminal and fruit distribution centre at Port Everglades. Chiquita is targeting about 30,000 containers in its first year of operation, marking its debut at the port with the scheduled arrival on 22 September of the 580-TEU *Puritan*, a chartered vessel operated by Chiquita shipping subsidiary Great White Fleet (GWF).

Chiquita's operation will be at an existing 15.3-ha dockside cargo terminal, providing weekly sailings to and from Central America. Bananas will be the main import, but plantains

Last year Chiquita moved about 2.1M tonnes of bananas to US and European markets



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Dry Fixtures

CARGO	VESSEL	FROM	TO	TONS	DATE	RATE	CHART.	TERMS
Iron Ore	Csk Fortune, 03	Ponta da Madeira	Taranto	160000-10%	Sep 2030	9.50	Ilva	FIO;ScLd40000t
Iron Ore	Vergina 1, 81	Richards Bay	Rotterdam	180000-10%	Sep 2530	12.00	BHP-Billit	FIO;ScLd25000t
Iron Ore	Jasmin Joy, 81	W Australia	Xingang	120000-10%	Sep 15	9.50	Transfield	FIO;ScLd15000t
Coal	Steamer	HRoads	Redcar	55000-10%	Sep 1015	11.50	Corus	FIO;5DaysShinc
Coal	Ocean Vanguard, 94	Richards Bay	Hadera	160000-10%	Oct 115	11.90	NCSA	FIO;ScLd30000tShinc
Coking Coal	Doric Samurai, 03	Queensland	Vizagapatnam	50000-10%	Sep 2830	15.00	V.S.P.	FIO;20000tShinc7000tShinc
Coal	Steamer, (Hmm)	Hay Point	Kwangyang	150000-10%	Oct 115	8.89	Posco	FIO;55000tShinc45000tShinc
Hvy Grain	China Glory, 90	US Gulf	Egypt Med	60000-5%	Sep 25	21.50	Dreyfus	FIO;5Days7000t
Hvy Grain	Glorious Rena, 87	US Gulf	Japan	54000-5%	Sep 1525	34.00	Dreyfus	FIO;11Days

Time Charter

CONSUMPTION	VESSEL	FROM	TO	TONS	DATE	RATE	CHART.	TERMS
14kt27t	Maro L, 85	Del US Gulf	Redel SkawCapePassero	40048dwt	Sep 510	17000 Day	Fednav	1846000GrnBl;Trip out
14kt33t	Yong Ler, 01	Del No Japan	Redel VancViaKivalina	74823dwt	Sep 510	12000 Day	Fednav	Trip out
14kt35t	Anastassia, 93	Del Bari	Redel PassMuscat	52245dwt	Sep 1420	15750 Day	Fayette	2192000Grn;TripViaMuscat&BlackSea
14kt34t	Giovanna Iuliano, 97	Del Pass Muscat	Redel FosViaRichardsBay	75229dwt	Sep 34	16200 Day	Daeyang	Trip out
14kt32t	Lake Tega, 01	Del Vizagapatnam	Redel China	50271dwt	Sep 1015	14000 Day	Uniwel	Trip out
13kt38t	Chou Shan, 93	Del Japan	Redel SingaporeJapan	149394dwt	Sep 2830	28500 Day	CNR	5800000GrnBl;AusRd
14kt54t	Grand Clipper, 96	Del Cape Passero	Redel Redcar	168146dwt	Sep 47	33000 Day	Coe&Cleric	Prto BolivarRd
12kt37t	Maratha Mission, 85	Del Skaw orLulea	Redel FarEastViaBaltic	76905dwt	Sep 37	17800 Day	PanOcean	3084000GrnBl;Trip out
14kt32t	Apex, 02	Del Constantza	Redel SingaporeJapan	53806dwt	Sep 1025	19300 Day	Fayette	Trip out
14kt32t	Great Luck, 98	Del Kaohsiung	Redel ContinentVialndo	71399dwt	Sep 1517	13750D-1st50	CNR	TripOut;\$15000Day-Bal
14kt58t	Alpha Era, 00	Del Nagoya	Redel UKContViaRichBay	170387dwt	Sep 56	26000 Day	CNR	Trip out
14kt60t	Tianronghai, 00	Del Shanghai	Redel SkawCapePassero	171861dwt	Sep 1517	28000 Day	AEP	TripOutViaRichardsBay
13kt29t	Kalma, 81	Del Cristobal	Redel Atlantic	34681dwt	Sep 510	10500 Day	Atlas	1444000GrnBl;3-5MoTrdg

and melons will also be handled plus exports of general cargo with stevedoring undertaken by APM Terminals.

Chiquita will also lease about 4,800m³ of warehouse capacity as ripening rooms and for regional distribution. "Our move ... will result in improved efficiencies for facilities, inland transportation and ripening," said company vice-president Raul Fernandez.

The company's Chiquita Fresh division is one of the largest banana producers in the world and a major supplier of bananas in North America and Europe, while its Chiquita Global Logistics division operates a fleet of 11 owned ships and 13 chartered ships under the Great White banner. Last year, Great White delivered 115M 40-lb boxes (2.1M tonnes) of bananas from Latin America to Europe and North America.

Korea hits gas pedal

SOUTH Korea has to step up its gas supply. The Asian country faces surging natural gas consumption, which is expected to increase from 18M tonnes last year to 33.3M tonnes annually by 2015. But domestic gas production, due to begin this year, will meet only two per cent of total consumption, according to a new projection by the Australian Bureau of Agricultural and Research Economics.

Seoul is in talks with Russia to pipe up to 7M tonnes annually from 2010. Last year, Korea Gas Corp (Kogas) imported about 17M tonnes from Indonesia, Malaysia, Oman, Brunei and Qatar. This year it signed agreements with Australia's North West Shelf Venture for 500,000 tonnes annually for seven years from 2004, and with Malaysia LNG for up to 200,000 tonnes annually for seven years

from May this year. These contracts are for supplies in the medium term, whereas in the past Kogas has mainly relied on long-term contracts. It expects the new contracts will soften the high seasonal fluctuations.

All Australian LNG will be delivered in winter, as will 80 per cent of Malaysian supplies. Malaysia LNG is building two more trains with a capacity of 6.8M tonnes per annum at its plant in Bintulu. This year, Kogas plans to import 18.27M tonnes and sell 18.22M tonnes. Construction of additional tanks will start this year at Incheon, Pyungtaek and Tongyoung.

Following the deregulation of the LNG trade, Pohang Iron and Steel and Korean oil major SK Corp have agreed to jointly buy 1.35M tonnes annually over 20 years from 2005 onwards from Indonesia's Tangguh LNG project, which is headed by British Gas. A formal agreement is likely to be signed before the end of the year.

Wet Fixtures

CARGO	VESSEL	FROM	TO	TONS	DATE	RATE	CHART.	TERMS
Oil Dirty	Anafi, 03	Jose Terminal	LOOP	135000	Sep 14	W79\	ExxonMobil	
Oil Dirty	Genmar Horn, 99	Tees	St Croix	130000	Sep 20	W82\	Hess	
Oil Dirty	Astro Sirius, 96	North Sea	UK op Continent	80000	Sep 11	W90 op W92\	CSSA	
Oil Dirty	Iran Saveh, 00	WC Norway	UK Continent	135000	Sep 15	W82\	BP	
Oil Dirty	Izmaylovo, 91	Tallinn	UK Continent	44000	Sep 4	W172\	ExxonMobil	
Oil Dirty	Stena Concert, Unvfd	Primorsk	UK Continent	100000	Sep 14	W87\	Gunvor	
Oil Dirty	Seagrace, 02	Novorossiysk	UK Continent Med	140000	Sep 20	W82\	Cargill	
Oil Dirty	Meriom Dream, 82	Novorossiysk	Mediterranean	30000	Sep 1	W195	AOT	Part cargo
Oil Dirty	Athina M, 95	Black Sea	Mediterranean	80000	Sep 20	W100	Karran	
Oil Dirty	Scf Sayan, 02	Sidi Kerir	Mediterranean	130000	Sep 13	W77\	ExxonMobil	
Oil Dirty	Eugen Maersk, 93	W Africa	US Gulf	262500	Oct 5	W50	Emerald	
Oil Dirty	ASTIPALAI, Or KOS, 01	W Africa	Taiwan	260000	Sep 5	W45	CPC	Part cargo
Oil Dirty	Hellesp Fairfax, 03	ME Gulf	US Gulf op WCUS	420000	Sep 28	W52\ op W57\	Chevron	
Oil Dirty	Tamyra, 83	Ras Tanura	Pasir Gudang	80000	Sep 25	W122\	Petco	
Oil Dirty	Falcon, 94	ME Gulf	Japan	260000	Sep 27	W70	ExxonMobil	
Oil Dirty	Iran Susangird, 99	Ras Tanura	China	130000	Sep 27	W95	Sinochem	
Oil Dirty	Aegiali, 87	ME Gulf	China	240000	Sep 17	W75	Kangqi	
Oil Dirty	Good Hope, 96	Kharg Island	Colombo	90000	Sep 20	550000	CeylonPet	Lump Sum
Oil Dirty	Montigny, 03	Balikpapan	US Gulf	80000	Sep 25	1250000	Chemoil	PtC; Lump Sum
Oil Dirty	Sanko Quality, 93	Indonesia	E Australia	80000	Sep 16	W125	Chevron	
Oil Clean	Highseas, 89	St Croix	US Atlantic	38000	Sep 11	W215	Citgo	
Oil Clean	Seamusic, 03	Caribbeans	US Atlantic	40000	Sep 14	W210	Hess	
Oil Clean	Akritas, 90	Continent	US Atlantic	37000	Sep 13	W220	BP	
Oil Clean	Kaptan Osman Bahri, 76	Black Sea	Mediterranean	28500	Sep 6	W155	Sibineft	
Oil Clean	High Wind, 99	Suez	WC India	35000	Sep 19	W240	Reliance	
Oil Clean	Solaris, 85	ME Gulf	UK Continent	80000	Sep 16	2200000	Shell	Lump Sum
Oil Clean	Morning Lady, 91	ME Gulf	Japan	75000	Sep 27	W215	PDC	Part cargo
Oil Clean	High Land, 91	Singapore	Hong Kong	35000	Sep 10	3050000	Shell	Lump Sum
Oil Clean	Merlion Park, 93	No China	Singapore	30000	Sep 16	285000	Projector	PtC; Lump Sum

Source: Maritime Research Inc

Big containers eye smaller boxes

TOO many players in the container shipping industry should make further consolidation of the industry inevitable. According to Mark McVicar, transport analyst at Dresdner Kleinwort Wasserstein, "Container shipping is the same as the European airline business. We have way too many operators involved, and as a result they can't control prices. Logically, we should be seeing more consolidation."

Even in the major liner trades, such as the Asia-Europe market, there are still 24 liner companies competing for cargo, with the largest player only controlling around 10% in

terms of market share. The trans-Atlantic offers a similar picture, with the largest operator controlling a market share of just 14%.

Despite big deals taking place towards the end

of the 1990s, such as the merger of Maersk and Sea-Land, P&O Containers and Nedlloyd, together with the growth of CP Ships by its acquisition of medium-sized players, the merger and acquisition of container shipping companies seems to have slowed considerably. "It's been dead for three years, caused by the massive downturn in the



Photo: Jim Prentice

Non-core container assets look the next target for larger container operators striving to complete their service offerings

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Baltic Dry Index

Daily summary of the Baltic Time Charter Averages	\$/day
Baltic Capesize Index 4T/C Routes	35,194
Baltic Panamax Index 4T/C Routes	16,323



Baltic Handymax Index

An almost imperceptible fall in the BHHI last week was put down to temporary factors in the Atlantic; the Pacific remaining strong. However, the period market has seen some sharp increases in recent weeks, with \$14,000/day over 12 months now being tested for super-modern candidates. Trip rates are pushing \$20,000/day in some quarters.



market," says McVicar. "By the very nature of these companies – their complicated political processes, odd ownership structure and often government involvement – it's always more complicated than just agreeing on a price."

Rather than the merger of two liner giants, further consolidation is more likely to come from the acquisition of smaller operators by the top-flight carriers. This is confirmed by the little activity that has taken place in the past 12 months, such as the purchase by AP Møller (Maersk Sealand) of Torm Lines and the sale of Italia Line by the D'Amico Group to CP Ships.

But which companies could be up for grabs? Industry insiders consider the medium-sized Korean operator Hyundai Merchant Marine (HMM) could be an attractive purchase. The company's complete restructuring, involving the sale of its car carrier division and the offloading of assets such as ships in sale-and-charter-back deals, could make it a target for a takeover since it put in place a strategy to improve its bottom line.

More likely candidates for sale, however, are other niche players owned by companies with interests outside shipping. This is particularly true as the container business is now showing some decent returns, if the latest financial figures from APL and Maersk

Sealand are anything to go by.

Such a strategy fits neatly with a rumour heard by *Fairplay* that CMA CGM intended to buy the liner shipping interests of the Bollore Group, which includes Delmas and OT Africa Line. Although a CMA CGM spokesman denied the suggestion – "We can clearly say there is no

negotiation and this is a totally untrue rumour" – the acquisition would appear to be a good fit, given both companies' French background. "It would be quite a Gallic thing to do," says Dresdner Kleinwort Wasserstein's McVicar. "Put these companies together and you would create a Gallic champion. I certainly wouldn't rule it out."

Dry follows paper trail

THE dry market returned to a rally last week, although some speculated that it was not merely the result of the physical level of minerals activity, for example. In fact, the paper market is thought to have sparked another round of short-period (3/5 to 13 month) business, as charterers and operators took cover in anticipation of the further increase in freight rates suggested by the forward curve. While period rates responded, it was not clear whether the spot market had had time to fully adjust by the week's end. The strong start to this week suggests that the 'catch-up' process is underway and that spot rates can expect a further lift in the coming days.

The firm tone going forward is confirmed by freight forwards broker

John Banaszkiwicz of FIS. Panamax route 2A (Cont-Far East), for example, is

currently \$19,564/day, and for November it stands at \$21,200/day. The key to paper's 'lead' is the extremely active market in itself, rather than ships, as the paper market offers the easiest and quickest response, says Banaszkiwicz. "The quickest thing to move is paper, which you can buy and sell in two minutes."

But ships still need to be taken for the physical cargo commitments, so he remains sceptical about the idea that the paper market has created that much of a 'lead' for the physical market, or that it would last if it did.

As for the Panamax market at the moment, it can look forward to another boost, but firmly rooted in the physical with the upcoming US grain export season.

Baltic Panamax Index

The BPI made clear gains on the week before, up over 60 points (3%), mostly on the back of an Atlantic recovery. If a two-year deal at \$14,000/day is confirmed, there seems further scope for increase for shorter periods. Continent-Far East time charter rates for modern candidates are now just below \$20,000/day.



Baltic Capesize Index

At the top, Capes are now commanding \$44,000/day on Brazilian trades to Far East, the BCI edging back over the 2,300 level and average time charter rates post-\$35,000/day once more. Parallel improvement in Atlantic and Pacific suggests gathering momentum for further gains.



Tankers tighten, rates respond

VLCC chartering activity for September loadings took a boost last week with over 100 fixtures already recorded, and 17 in the first week of the month alone. Vessel availability over the next 30 days is beginning to tighten, and is now below 40 ships. The market is normally described as tight when fewer than 40 vessels are expected in the Middle East Gulf in the next four weeks, and rates are likely to respond positively, possibly peaking during the first half of October.

The Iraqi export pipeline from Kirkuk to Ceyhan is expected to be reopened imminently, allowing production, which had averaged about 2.5M bpd in February and subsequently declined to a low of 160,000 bpd in April, to recover to about 1.5M bpd in September. By the end of the year, output is forecast to reach 2.0M bpd, providing the saboteurs can be kept at bay.

Most VLCC spot chartering interest has been for Far Eastern destinations with rates rising

from W70 to W80 (earnings moving from about \$34,000/day to \$42,000/day). Rates from the Middle East Gulf to the Atlantic basin (the US Gulf and Europe) were little changed from last week, in the W60-63 range of \$31,000/day in equivalent earnings. Korean public holidays next week could result in a temporary decline in chartering and rates.

Suezmax chartering activity was a little stronger particularly in the Black Sea and rates increased to the equivalent of \$14,000/day. Some of this extra activity can be attributed to charterers seeking to move cargoes before the anticipated closure of Novorossiysk for pipeline



Photo: Russell Priest

Bunker prices

Latest mid-range prices listed in \$ as at Monday 03 February 2003.
d=delivered, w=ex-wharf, pp=posted price. Ports listed regionally clockwise from NE

REGION	380CST	180CST	MDO	MGO
NORTH WEST EUROPE				
d St Petersburg	140.00	145.00	227.50	265.00
d Great Belt	166.00	176.00	237.50	260.00
d Hamburg	159.00	164.00	217.50	250.00
d Rotterdam	147.50	155.00	212.00	237.00
d Antwerp	148.50	154.50	219.50	226.00
d Le Havre	167.00	177.00	n/a	266.00
d Falmouth	158.50	167.50	n/a	276.00
MEDITERRANEAN				
d Istanbul	166.00	173.00	257.00	265.00
d Piraeus	157.00	165.00	n/a	251.00
d Valletta	155.00	165.00	n/a	266.00
d Augusta	163.50	171.50	n/a	265.50
d Fos+lavera	165.00	186.00	n/a	262.00
d Gibraltar	154.50	160.50	262.00	268.50
AFRICA				
d Mombasa	n/a	196.00	300.00	310.00
d Durban	n/a	160.50	252.50	262.50
d Lagos	212.50	222.50	n/a	317.50
d Dakar	209.00	219.00	n/a	290.00
d Las Palmas	162.00	168.00	265.00	269.00

REGION	380CST	180CST	MDO	MGO
MIDDLE EAST				
d Khor Fakkan	175.00	180.00	n/a	280.00
d Aden	161.75	167.75	n/a	284.00
d Jeddah	165.25	171.25	N/a	286.25
d Suez	154.50	159.50	n/a	313.50
d Dammam	n/a	167.00	n/a	249.00
ASIA				
d Tokyo	170.00	175.00	267.50	n/a
d Sydney	211.00	211.00	n/a	307.50
d Colombo	n/a	217.50	n/a	283.00
d Singapore	160.50	163.50	236.00	237.50
d Hong Kong	171.00	173.00	239.50	250.50
d Keelung	176.00	178.00	270.00	278.00
d South Korea	167.50	172.50	270.00	280.00
AMERICAS				
w New York	170.00	180.00	317.50	n/a
w Houston	149.00	151.00	251.00	n/a
w Cristobal	164.50	172.50	260.50	n/a
w Venezuelan Por	172.00	181.00	260.00	265.00
d Rio De Janeiro	163.00	167.00	n/a	322.00
d Buenos Aires	177.00	177.00	281.00	297.00
d La Libertad	178.00	188.00	n/a	363.00
w Los Angeles	175.00	186.00	287.50	n/a
w Seattle	167.50	176.50	312.50	n/a
w Vancouver Bc	172.00	177.00	362.50	360.00

repairs during the last week of September. With these repairs, activity and rates will weaken.

Suezmax chartering from West Africa was only marginally higher and hostage to the Nigerian strikes. Escalation aside, steady increases in enquiry will eventually lead to improvements, although a relatively full tonnage list is currently putting a ceiling on earnings.

The best performing Aframax loading area has been the North Sea, where rates increased by seven Worldscale points to W95, while earnings rose by two-thirds to reach just over \$11,000/day, with interest in both the Baltic and the North Sea itself. Despite this surge, North Sea earnings are still only 60% of the global average Aframax earnings of \$18,000/day.

In the Med/Black Sea, chartering activity was higher (as it was for Suezmaxes), shippers anticipating the end-September closure of Novorossiysk for pipeline repairs. Cross-Med rates reached about W100, but Black Sea fixtures were 5-10% up. Availability of modern Aframax is limited, so if chartering activity remains brisk rates could improve further.

The market has perked up for larger tankers (left), and higher US product imports promise a rebound in the clean market (right)

After Labour... rest

MUCH of the products tanker market is influenced by the requirements of the US. Gasoline demand there reached recent record levels of 9.43M bpd in the run-up to the Labor Day holiday, and gasoline stocks remained at the low level of 143M bbl of finished product and a total of 192M bbl including blending components.

Nevertheless, in the past six years gasoline stocks have briefly fallen to even lower levels. US refinery capacity growth and gasoline production is failing to keep pace with demand. With no new refineries having been built for 25 years, greater reliance is being placed upon imports. In contrast, excess gasoline capacity in Europe has sponsored good levels of westbound trans-Atlantic trade.

However, with the passing of Labor Day, which historically has marked the end of the driving season, interest is moving towards heating oil. At 125M bbl, stocks of distillate fuel oil are almost 5% below the corresponding period last year. Consequently, we can expect the US

to record higher distillate imports in the coming months. The 'North East Heating Oil Reserve' is at its maximum level of 2M

bbl, which the Department of Energy deems sufficient to provide relief from weather-related shortages for about 10 days. This is the time necessary to move heating oil by ship from the Gulf of Mexico to New York.

Last week, as is so often the case, the product tanker market moved contrary to the larger tanker market, and rates and earnings generally declined. Typical trans-Atlantic rates to the US fell by 10 Worldscale points to W250 ex-Med and W235 from northwest Europe, equivalent to just under \$19,000/day and \$16,000/day, respectively. This decline should prove relatively short-lived when US heating oil demand and imports rise as winter approaches.



Photo: Angelo Scorza

Baltic Spot Rates – Crude Oil

With the biggest weekly increase since mid-May, largely on the back of good fixing levels out of the ME Gulf, the Dirty Index shot past 900, shared both East and West for VLCCs. Brokers report similar increases for VLCCs West Africa-East, although the Suezmax market there remained subdued, the Med providing its bright spot. Rates ex-Med also sparked Aframaxes, but this market took a bigger boost in the North Sea-UKC.



Baltic Clean rates

The Clean market continued its slide back to 1,000, succumbing to a general fall-off in demand, particularly in the West where all routes were reported down on the week. The LR market East was reported more stable overall although with some forward fixing at lower rates. The intra-Far East market lacked sparkle.



Wheat Forecast 03/04 (M tonnes)

	2/7/03	30/7/03	27/8/03	change on last
Argentina	9.5	9.5	9.5	0.0
Australia	14	14	14	0.0
Canada	15.5	15.5	14	0.0
EU	15.5	14.5	11	-24.1
USA	26.5	27.5	29	5.5
World	99.9	98.8	96.8	-2.0

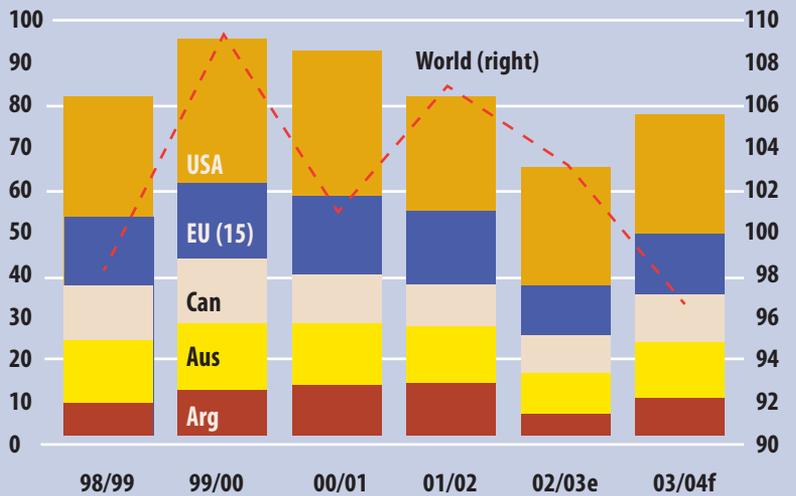
Source: IGC

Crude Steel Production (M tonnes)

	06/03	7/03	% change	7mths 02	7mths 03	% change
World	79.1	79.9	1.0	499.1	544.9	9.2
EU (15)	13.1	13.2	0.6	93.2	94.7	1.7
US	7.7	7.7	0.1	52.3	53.9	3.1
China	18.1	18.4	1.2	101.2	120.4	19.0
Japan	9.3	9.3	-0.7	61.3	64.3	4.8

Source: IISI

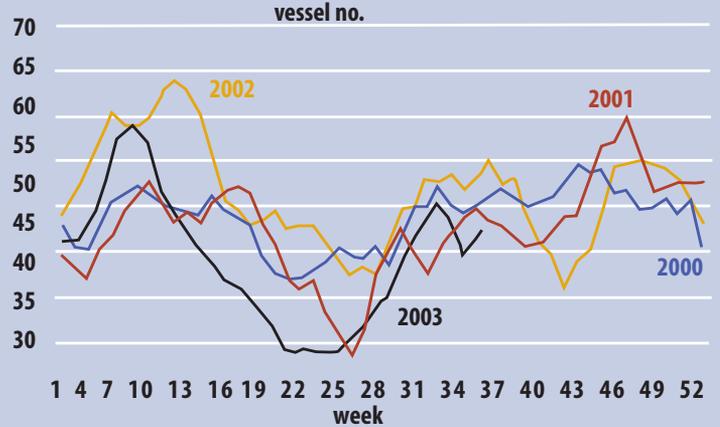
Wheat Trade Outlook (M tonnes)



Australia/Brazil Iron Ore Exports (M tonnes)



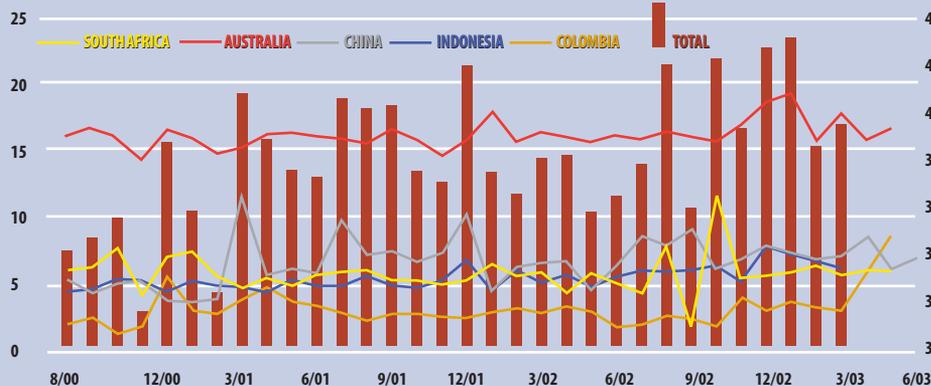
US Gulf weekly grain loadings - 4Wk rolling average



Iron Ore Exports (M tonnes)

	2001	2002	% Change	2003/annualised	% Change
Australia	156	165	5.6	179	8.7
Brazil	123	132	7.6	140	6.1
Australia/Brazil	278	296	6.5	319	7.6

Steam Coal Trade Latest (M tonnes)



Steam Coal Majors

(M tonnes)	2001	2002	2003/annualised
Indonesia	67	73	82
Australia	194	204	213
Colombia	38	32	57
South Africa	70	70	70
China	91	84	86

Company index

Alstom	52	FIS	47	McTay Marine	30	The Baltic Exchange	32
APL	46	FitchRatings	38	Møller, AP	40,46	Torm Lines	46
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Costa Container Lines	40	Institute of London Underwriters	32	Rhenus Midgard	18		
CP Ships	46	Italia Line	46	Rolls-Royce	8		
D'Amico Group	46	Japan Maritime Research Institute	41	Royal Bank of Scotland	28		
Daewoo Shipbuilding & Marine Engineering	40	Kogas	44	Holyhead Towing	30		
DFDS Tor Line	19	Konig	42	Samskip	19		
DnB Markets	39	Kristen Navigation	40	Scandlines	6		
Dorchester Maritime	22	Libæk, O-J	42	Sea Containers	15		
Dresdner Kleinwort Wasserstein	46	Lloyd's of London	32	Shipbuilders' & Shiprepairers' Association	28		
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ExxonMobil Marine Fuels	28	Mann & Son	19	Spliethoff	15		
Ferguson Brothers	30	McDuff Shipyards	30	Stena Line	6		
Finnish Shipowner's Association	15			Stocznia Szczecinska Nowa	40		
Finnlines	15			STX Shipbuilding	40		
				Swan Hunter	30,52		



There is so little fairplay in the world. If our own efforts succeed, we shall have taken the first steps towards promoting the habit of calling things by their right name and looking at them through uncoloured spectacles

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CAPTAIN'S LOG

Dogs on cats..?

THE days of the sea dog are still alive in Spain. The Captain was enjoying a passage on the *Bahia de Malaga* ferry a week ago in the company of numerous dogs roaming the decks. Unlike competitor Trasmediterránea, its operator Balearia offers free travel to domestic animals, which are naturally keen to take advantage of the perk.

They all seemed well behaved, but none had a muzzle and many were not on leads and the Captain – who is a nervous chap – feared he might have his epaulettes bitten off. This was one of the company's slow ferries; on Balearia's fast ships, dogs are kept on deck in cages in protected areas away from sun and wind.

A Balearia spokesman says that, on its slow ferries, dogs with leads and muzzles are allowed in seating areas, apart from in first class. And it is the pet owner's responsibility to keep their animals under control. "In the 21st Century our policy is to protect animal rights and provide free travel for animals," the spokesman says.

The *Bahia de Malaga* is set to end its service in 2005, at the age of 25. The Captain hopes it will be replaced by a fast catamaran, if only to justify the otherwise irrelevant headline, above.



It's been a GOOD week for...

Basil Papachristidis, who pocketed \$14M for scrapping the Hellespont Grand (right).

Maurice Storey, retired chief executive of the UK Maritime & Coastguard Agency, who has reeled in a second directorship: chairman of Evergreen's UK affiliate, Hatsu Marine; **Five currently unemployed**

workers who will replace the lottery-winning platers at the Largs Bay Swan Hunter Shipyard (see story below)



It's been a BAD week for...

Malta Drydocks workers, accused by their chairman of being careless and malingering; **shipbreakers in**

Alang, closed for three days because of a crash in steel scrap prices; **Alstom**, whose rescue package has been

called into question by EC competition commissioner Mario Monti.



Very Largs winnings!

THERE is a traditional nursery rhyme from the UK's northeast that assures grizzling babies that "You shall have a fishy on a little dishy/You shall have a fishy when the boat come in."

There will be more than fish on the dishes of five platers at Swan Hunter shipyard in Newcastle (pictured above left), who scooped a £3.2M (\$5.2M) jackpot on the UK lottery and promptly quit the yard, with the win as a fitting reward for years of hard work. Well, no actually. The man who organised the Largs Bay syndicate, Peter Gillan, second from right in the picture, only started work at the yard two weeks earlier, after spending two years unemployed.

Let's hope they each invest their £640,000 shares of the win wisely if they expect it to produce incomes they can live on. Otherwise, they might be reduced to fishes on dishes, and they needn't expect a whip-round from their former colleagues.

The Necochea port mystery

WHAT really happened to the World Bank loan money that was supposedly assigned to extend the breakwater at the coastal Argentina grain port of Necochea? Locals are convinced the government got the loan when former President Carlos Menem was in office (he resigned in 2000 after 10 years at the helm).

But if that's the case, why has

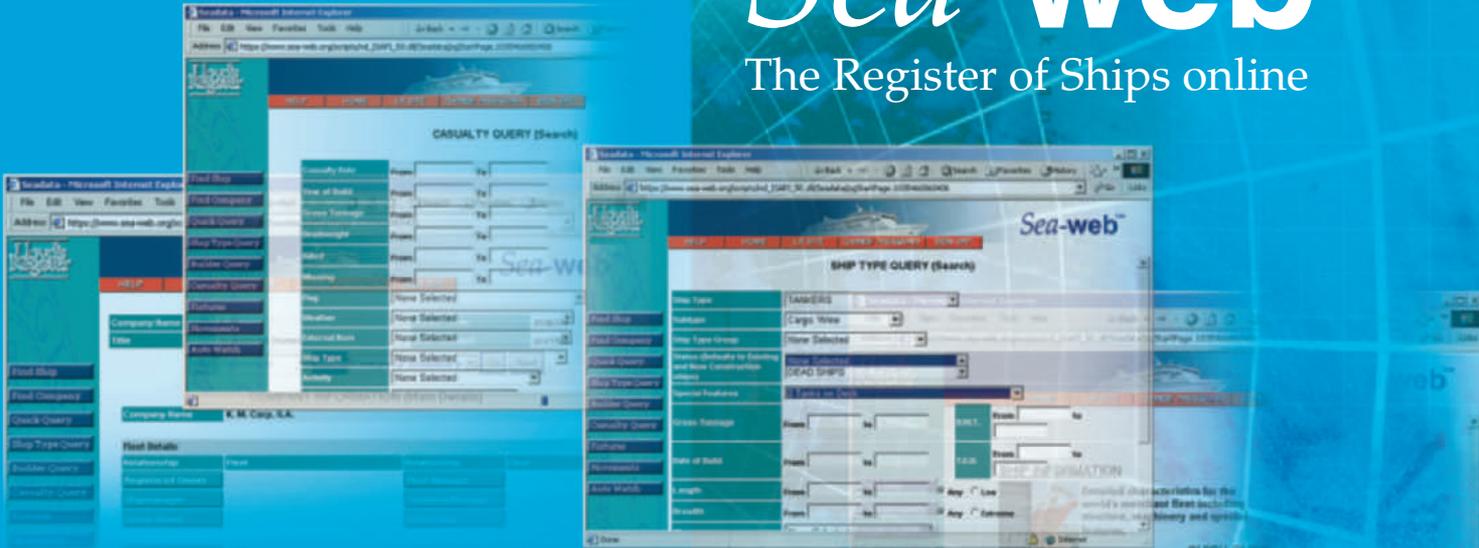
nothing been done to resolve the breakwater problem at Necochea? When the Captain was there last month it seemed far too short, exposing the port to a continuous swell. So the port is often closed, to the detriment of the bulk ships calling there to load or top up grain. Locals say that it is not just the breakwater that needs to be fixed, but the port

authority as well.

For reasons unknown, the project shows no sign of being started. If the money has been spent elsewhere, let's hope it was on other port improvements in Argentina. One cynic suggested that Necochea might be just a transshipment port *en route* to a Swiss bank account, but the Captain has more faith in human nature.

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