FUTURE OF SHIPPING

Challenges & Sustainability

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The challenges are to innovate cost-effective sustainable transportation solutions over long distances in a flattened globalised world overcoming all obstacles. All sectors and segments of shipping related activities are mired in downsides of depression after the longest last boom and are under pressures to consolidate, cut costs, innovate and improve.

Greed as factor for success has been found to be a must for entrepreneurs; there is no point in preaching *samtripthi*–satisfaction- as the motive for *karma*. It was that same greed that had catapulted shipping to its never-before-imagined-highs during last decade's boom dumping usall in the current abyss. Unsurprisingly, funds chase bullish curves and that's what hadoccurred in the boom, though pundits and pessimists were preaching caution.It has shown that history repeats in shipping too, albeit in sporadic cycles, hasn't been assimilated by most.

Trade: As half the world will freeze and the other half starve, for want of shipping hauling energy and food, it will remain the backbone of international trade. There are no other cost-effective and economic alternatives or competitors to shipping or for that matter water transportation as rail, road and air are at least twice, thrice and four times more expensive.

Commercial: Commerce thrives with margins for all and sundry in the chain of international logistics. Hence, the flow, systems, controls, checks, balances, costs and mark ups will have to be reasonable and trade friendly. Loading and Deliveries of cargo parcels will have to be within promised time frames –that hitherto hasn't been- with no damage and compensation if any.Lately, Liners have already introduced this concept of guaranteed JIT (Just in Time) delivery with penalties for not loading as promised; tramps will have to follow suit at least on the increased cargo risk coverage soon.

Technology: In as much as technology has driven the changes in shipping over the last two centuries, it has been failing us during the last two decades with failure to cop up with new environment norms. It had failed in 'the '70s and '80s when tankers exploded and bulkers were lost. New stronger and sustainable designs have to be innovated to survive harshening weather due to global warming increasing storm strengths, its frequency, freak waves etc. Active mariners are of the opinion that longevity of ships built quickly during the last decade is questionable and that the propulsion plant may not be fit for purpose beyond fifteen years.

Environment: The demand from the environment lobby has only just started; as statistics prove that shipping is a larger polluter than heretofore recognised, it will be taken to task.

Perhaps LNG will have to evolve as the saviour as we are close to peak oil and distillates from Shale, Tar sands etc may not meet the challenge to replace zooming demand for coal reported in '12 –with India and China setting new records of imports from Indonesia. Is there still room for doubt that global warming –since industrial revolution- is manmade, and not because of Earth's inter-galactic voyage?

New LNG powered container ships, tankers, cruise ship, off-shore vessels and its use for auxiliaries augur well, along with floating facilities for storage, transfer, electrical power generation etc. What a relief it would be to move away from the dregs of refining that have been sold as furnace/fuel oil to be burnt well away from the coasts, out of sight –out of mind.

Manpower: As often said, any enterprise is only as good as its people. Though seafarers have been at the forefront right from colonisation half a century ago, the reports of their lack of compliance, competency etc leading to catastrophes is beginning to impact the trade. Oldies V Newies is an oft cited perspective that need be corrected sooner than later.

Communications: Although improved communications thrust by newer technology has helped fine-tune navigation and management –imposing ISM as a result in the process- its full impact is as yet to be felt. Would we have unmanned fully automated ships is a question remaining elusive. Along with ECDIS and Broadband, further reduction in manning and increased automation are bound to change the ways ships are managed, run and navigated. The pregnant potential of broadband usage for remote monitoring, maintenance, operation etc is as yet under-estimated. At its cost-effective reliable threshold, wonders can be expected.

Conventions/Laws etc: Despite the flood of Conventions since the '70s, shipping is still viewed as potential disaster maker. IMO's new goal based approach –resulted oriented than cause based- hopefully should turn the tide.Now that they are not `not for profit', merging, consolidating, taking over, listing –a brand new one too, limitations of CLASSificationis bound to get frequently tested. Have ISM and PSC lived up to their expectations or have they failed to deliver? MLC on their heels will be turning point in this spectrum.

Clubs, H&M and Salvage segments have all been working below break-even even after the boom years; premium increases/reserve building will be in the pipeline for a while.Loss risk of large laden container vessels are feared to become potentially heavy CTLs –not worth the salvage- due to response time in tidal waters, lack of salvage opportunities/ equipment etc.

Banks, backers and Funds too have become desperate, what with they having to comply with "stress tests" for reserves, becoming owners/operators by default/repossession, facing 'Class action suits' against unwise investments etc. Though these are good times for ship-managers, it is bad times too, as Dry-dock shortage and quality drop all around: equipment, spares etc.

Despite **Scrapping** boom at above 400$/LDT –now said to have turned unsustainable, due to **Newbuilding**spree, the Supply-Demand curve remains skewed and will continue for a while as yards are seeking buyers at crashed prices.

The last long boom of 03-08 had created such havoc and imbalances, that the industry is in a tailspin and would take another half a decade before sanity can return. Contracts of **Demise, Period and Time charters** –the backbones of commercial shipping- seem to have lost their sanctity, as vessels have been redelivered prematurely. Confusing and contrary judgments from the courts from different continents haven't made life easy for the players, but the lawyers are having a bountiful ride to solve all the unsettled riddles.

The most important change and impact soon would be that of **Rotterdam Rules**, replacing Hague, Hague-Visby Rules and COGSAs derived therefrom soon. Provision of 250% freight penalty for delayed cargo delivery and the removal of `errors of navigation and management' would certainly change the scenarios the markets have been used to for quite a long while.

That a Charterer after accepting delivery of an underperforming ship will have to live with it, without termination –claiming compensation of course, is a point of concern and contention. Likewise, performing voyages with utmost despatch is an issue that has cropped up in the current practice of slow steaming to reduce costs and pollution. The validity of EEDIis yet to cross the line of acceptability after doubts have been aired about its methodology, accuracy and impact.Are we hoodwinking GHG with 3-4-5 letter words like MBM, EEDI, SEEMP?

Potential for saving fuel on large container ships of 18KTEU is said to be about 175T/d when speed is reduced from 25 to 20kts and another 100T/d when further reduced to 15kts at current high fuel prices. However, it may not match the evolved sophisticated logistics that are focused on time lost, inventory in transit, seasonal sales peaks etc.

For want of right wording in contracts (CP, War risks etc), their construction, contradiction, lack of clarity etc, whether a ship will remain on hire when pirated &held, or when detouring to avoid risky areas, is a conundrum as yet unsolved by lawyers and courts for laymen. Importing/inserting words like `whatsoever', could have saved millions is what some learned in hindsight though. A Justice had remitted a case back to Arbitrators to decide something that was theirs and not his to call, and even then doubts haven't been cleared by Case law.

Though **piracy** is reported to be down despite the fair weather season off Somalia, and the signs of it being checked by internecine warfare and some authoritarian controls indicate that it is past its peak, hopefully, the industry will not throw caution into the winds. Kudos to convoys, multinational forces, patrols, EUNAVFOR, Indian Navy, armed guards etc, but it must be remembered that it can rear its ugly head anywhere at short notice as organised crime. The jury is still out whether AIS, LRIT etc has helped such heinous acts! The fact that courts are convicting the pirates after initial trepidations about sovereignty, jurisdiction, over-stretching, human rights etc, have sent the right signals it seems. Psychological trauma is the deepest scar left behind after piracy, detention, suffering and release. It may have been felt as eternity to be restrained without time limit and hope of release. What a relief it must be to be released after long captivity, for the 24 minus 2 of ICEBERG! Born again as nemesis to Satan, for God having answered their prayers and dreams come true!!

Contents and Weight of Cargo in Containers is a contentious issue due to the practice of not declaring Gross weight properlyresulting in avoidable mishaps. Likewise with moisture content of bulk cargoes, hazardous and noxious substances etc; HNS convention due soon!Shortcomings of Conventions/Class/Technology/Management etc reflected as Management and Human failures have led to nightmare of responsibilities/claims within shipping chain.

UK Bribery Act (and similar ones/practices in US, Hong Kong, Singapore etc) that calls for anti-bribery measures down the contracting chain internationally, is going to shock shipping into action, as it has been used to resorting to easy problem solving methods and measures.

Alternative modes and Energy: are without any doubt to be developed, if shipping has to carry its trade burden of 90% of the international seaborne trades. It is heartening to note that **SOLAR POWER**is beginning to succeed after trials with prototypes and in larger sizes.

Whilst Wind and Sail assisted propulsion still remain promising, whether Submarines, Balloons, Blimps, Zeppelins, Dirigibles will become competitive is to be watched out for.

- **Capt PULLAT serves the industry with his own AUMNI Shipping Consultants covering the broad spectrum from project conceptualisation to dispute resolution, and Professional Maritime Group catering to the human resource requirements ashore at mid and top levels.**