Alang ship breakers cruise along amid slowdown

A slump in global shipping, reflected in the falling Baltic index (a freight indicator), is translating into brisk business for Gujarat's coastal town of Alang which has become synonymous with ship-breaking. Alang, which receives one out of every two ships destined for breaking, has retained the top slot amid stiff competition from Pakistan, Bangladesh and China. With freight rates dropping 98% in less than six months of the peak shipping period, Alang is expected to surpass the 435 ships demolished in 2011-12.

Last year, over 40 million dead weight tonnage (DWT) was scrapped. Nearly 55 million DWT of the global tonnage will be sold this year at a value of about $5 million. This will yield approximately 15 million tons of steel. Countries such as Bangladesh meet half their steel demand from the scrap industry. We expect that the demolition business will peak this year and continue to be good until 2015," said Daniel Chopra.

According to an industry estimate, over 100 ship breaking companies are active in Alang and the turnover of the industry is about $2 billion (Rs 11,000 crore) per year with 50,000 workers directly employed. According to the Ship Recycling Industries Association, the Alang yard produced 3,68,70,973 tonnes of steel by dismantling 5,508 ships between 1983 and 2011. In 2011-2012, Alang produced 38, 56,071 tonnes of steel, or about 2% of the annual steel demand.

Miserable VLCC market continues as tankers queue up in Persian Gulf.

A glut of oil tankers competing to haul 2 million-barrel cargoes of crude from ports in the Persian Gulf is set to stay at the highest level since 2009 amid weaker demand for the ships. There are 20 percent more very large crude carriers seeking charters over the next 30 days than probable cargoes from the world’s largest loading region. Daily earnings for VLCCs globally slumped 66 percent from the start of the year to $10,031. The surplus of VLCCs seeking charters in the gulf averaged 21 percent during the first quarter, also the highest since 2009.
PHOTO OF THE MONTH – ROUGH SEAS

The photo shows a Ro-Ro vessel about 150 mtrs long pitching and pounding in rough weather with Wind speed about 100 kms/hr. This photo is taken in stormy weather in the Mediterranean Sea which is a land locked sea. More severe weather is experienced when vessel is transiting the world’s oceans. I.e. Pacific, Atlantic and Indian Ocean.
One of the most important revolutions in transportation, in the modern day era is the “unitization of liner shipping”, the so-called container revolution. Previously variety of packages were loaded and stowed on the tween decks of liner ships, these were replaced with a standard-size steel container in which multiple types of cargo could be loaded and unloaded efficiently. In this article we will see how containers revolutionized modern day transportation.

History of Containers: In 1955, Malcom P Maclean, a trucking entrepreneur from North Carolina, USA, bought a steamship company with the idea of transporting entire truck trailers with their cargo still inside. On 26 April 1956 Mclean’s prototype – the refitted Second World War tanker, the ideal – X sailed from Newark to Houston carrying 58 truck bodies with the wheels removed. The Ideal-X proved that the use of containers could dramatically reduce turnaround times in port. Furthermore, it slashed costs as compared to loading the break bulk shipments. Other benefits rapidly emerged, including a sharp reduction in theft from cargoes on the quayside, leading to big reductions in insurance rates paid by shippers. On 23 April 1966, ten years after the first converted container ship sailed, Sea-land’s Fairland sailed from Port Elizabeth in the USA to Rotterdam in Netherlands with 236 containers. Thus began the container revolution.

Containers Standardization: Container shipping uses various standard sizes - 20 foot (6.09 m), 40 foot (12.18 m), 45 foot (13.7 m), etc - to load, transport, and unload goods. The two most important sizes today, are the 20-foot and 40-foot lengths. The 20-foot container, referred to as a Twenty-foot Equivalent Unit (TEU) became the industry standard reference so now cargo volume and vessel capacity are commonly measured in TEU.

The container sizes need to be standardized so that the containers can be most efficiently stacked - literally, one on top of the other - so that ships, trains, trucks and cranes at the ports can be specially fitted or built to a single size specification. This standardization now applies across the global industry, thanks to the work of the International Organization for Standardization (ISO) in 1961, set standard sizes for all containers.
Containers are generally constructed of aluminum or steel with each container size and type built according to the same ISO specifications, regardless of where the container is manufactured. Shipping containers are available in a variety of types in addition to the standard dry cargo container often referred to as "special" equipment. These special containers include open end, open side, open top, half-height, flat rack, refrigerated (known as "reefer"), liquid bulk (tank), and modular all built to same exterior lengths and widths as the standard dry cargo containers. There are more than 17 million container units equating to more than 27 million TEU in the global container fleet.

Open tops are used for easy loading of cargo such as logs, machinery and odd sized goods. Flat racks can be used for boats, vehicles, machinery or industrial equipment. Open sides may be used for vegetables such as onions and potatoes. Tank containers transport many types of liquids such as chemicals, wine and vegetable oil.

Container Marking and Tracking:

Every container irrespective of its type will have a Container identification number and a CSC plate. CSC plate gives the container specifications and approval certification. The container identification system specified in DIN EN ISO 6346 consists solely of the elements shown, which can only be used together:

1) Owner code, consisting of three capital letters
2) Product group code, consisting of one of capital letters U, J or Z
   U – for freight containers, J- for detachable freight container-related equipment, Z- for trailers and chassis.
3) Six-digit registration number
4) Check digit

The owner code must be unique and registered with the international Container Bureau.

The identification number is a complex mathematical system. It clearly identifies the container when entered in the software. Every major shipping line has a container tracking website. Using the container number the container can be traced to its current location. E.g. Name of vessel it is loaded, Name of port it is stored etc.
In addition to the above markings there is other information on the container which is intended to simplify use of the container. The Gross weight, tare weight and stack weight is printed on the container which is in accordance with the CSC plate. There are also caution and dimensions markings on the container.

Container Lashings: Container has fixed lashing points at the corners of the body. There is a standard lashing system for containers on vessel. The systems have been standardized worldwide hence lashing containers have become easy and very fast. The most used mechanism is the twist lock system which locks the 4 corners of the container on vessel deck or trailer. Container lashing equipments have both fixed and loose gear, such as twist locks, stacking cones, bridge fittings, flush and raised foundations sockets, dovetail fittings, lashing rods and turnbuckles. Containers on deck need extra lashings when at sea to support the stack weight and stress during motion at sea.

Cargo should be lashed inside the container to prevent cargo movement when vessel is at sea. With more and more cargo being shipped in containers, understanding the importance of lashings is very important. In the next issue we will discuss more on cargo lashings.

Container Insurance: In principle, cargo insurance only covers claims relating to material damage to goods. It does not cover the damage to the container itself. Container cannot be considered as packaging for the cargo and hence cannot be covered under most insurance policies for cargo insurance. If required additional container body insurance can be covered by some insurance companies.

Container ships, and their seamless integration with onshore transport systems, have been the key element in globalization. The ripples of containerization have spread far wider. In modern times, the construction of specialized container vessels and the economies of scale introduced by ever larger ships have offered massive reductions in the cost of transporting goods. The cost of moving goods has become almost negligible as a portion of the production cost. With such an efficient system of transport, in many cases products can be sourced from virtually anywhere without adding to expense. In our next edition we will look into some more aspects of container trade.
Many vessels are registered with countries such as Panama, Liberia, Cayman Islands, and Marshall Islands etc. These countries are having very less significance in world trade. In this article we will discuss why ship owners prefer these countries over the traditional maritime nation for registering ships.

The term Flag Of Convenience describes the business practice of registering a merchant ship in a sovereign state different from that of the ship’s owners, and flying that states civil ensign on the ship.

The history of Flag of convenience dates back to the Roman Empire, but it was not until after World War II that the desire and the need to be competitive in the world shipping markets gave rise to the spectacular growth in the use of such flags. The market has always been the determining factor with respect to which flag a ship fly. All decisions are taken in order to achieve the common goal of minimising costs and maximising revenue.

International law requires that every merchant ship should be registered with a country. This country in which a ship is registered is called its flag state, and the flag state gives the ship the right to fly its civil ensign. A ship’s flag-state exercises regulatory control over the vessel and is required to inspect it regularly, certify the ship’s equipment and crew, and issue safety and pollution prevention documents. A ship operates under the laws of its flag state, and these laws are used if the ship is involved in an admiralty case. The organization which actually registers the ship is known as its registry.

For ship-owners FOC’s have been a boon, but for the shipping industry as a whole it has been an area of concern. Following are the disadvantages of FOC for the shipping industry, but are advantages for some Ship-owner who uses the FOC concept to increase profits and reduce costs.

The Diagram shows various stake holders on a vessel and how important it is for the flag state of the country to exercise control over the vessel.

1. **Taxation:** The major motivating factor for shop-owner is the “low taxation levels for profits and incomes with the resultant free cash flow and the reduced operating costs due to lower crew wages.” By lowering operating costs, the ship-owners also “limit the financial consequences of the occasional loss of a ship.” There are also non-economic advantages to FOCs, such as decreased transparency of ownership for ship-owners, decreased likelihood of vessel seizure during times of war or other emergencies, and (generally) stable political climates of the registering country that are conducive to business.

2. **Regulation of legal trade:** FOC vessels run under jurisdiction of the nation of ship’s registration. However, the many manipulations that can be done in records and legal documents can make it extremely easy for such ships to be involved in illegal trade. FOC vessels have been reported to be substandard and poorly and maintained and also found to be involved in everything from drug smuggling to human trafficking.
3. **Work Conditions**: FOC vessels have been reported to have much lower standards of working conditions as compared to other vessels. This is mainly due to lesser regulation of such vessels. With ship’s functioning under FOC, there is always a dispute of nation of jurisdiction and rules that apply. This means much lower standards are likely to be maintained on such vessels which will make the vessel sub-standard. Most of the FOC vessels have a multi-national crew sourced from poor countries. Hence the crew is not skilled enough to run the vessels which results in more accidents resulting in human, cargo and environment damage.

4. **Pollution**: The system of flag of convenience is often considered to be a major obstacle to alleviating the problem of maritime pollution, due to the system’s lack of regulatory enforcement and inexpensive, untrained crews.

The following 27 countries have been declared FOCs by the ITF's Fair Practices Committee (a joint committee of ITF seafarers' and dockers' unions) which runs the ITF campaign against FOCs: Antigua and Barbuda, Aruba (Netherlands), Bahamas, Barbados, Belize, Bermuda (UK), Burma, Cambodia, Canary Islands (Spain), Cayman Islands (UK), Cook Islands (New Zealand), Cyprus, German International Ship Register (GIS), Gibraltar (UK), Honduras, Lebanon, Liberia, Luxembourg, Malta, Marshall Islands (USA), Mauritius, Netherlands Antilles, Panama, St. Vincent, Sri Lanka, Tuvalu, Vanuatu.

In 2011, more than 68 per cent of the world’s tonnage was registered under a foreign flag. Most of the major flags of registration are not host to any significant national ship owning interests, but mainly provide their flag to vessels owned by nationals of other countries. This is the case for the three largest flags of registration, notably Panama, with 306 million dwt (21.9 per cent of the world fleet), Liberia (11.9 per cent) and the Marshall Islands (7.1 per cent).

On the basis of the history of Flag of convenience and present practice, everybody involved in shipping practice knows that the Flags of convenience system will continue to exist. It is time for the opponents of this system to find a different solution rather than trying to get rid of the system. Today some of these nations with closed registries find that change is essential or else they will have only coastal ship’s to regulate their registries.

**NOTE**: ALL FOC VESSELS ARE NOT SUBSTANDARD OR BAD, THERE ARE MANY SHIPOWNERS WHO REGISTER WITH FOC BUT WHO MAINTAIN THEIR SHIPS IN PRISTINE CONDITION, HAVE THE BEST CREW AND COMPLY WITH ALL THE INTERNATIONAL REGULATIONS.
NATIONAL MARITIME DAY

April 5 marks the National Maritime Day of India. On this day in 1919 navigation history was created when SS Loyalty, the first ship of the Scindia Steam Navigation Company, journeyed to the United Kingdom. As a tribute to the Indian seafarers and in order to mark this day as an important day in the Indian Maritime History, April 5 was denoted as the “National Maritime Day” which was first celebrated on April 5, 1964.

This event has been organized annually since then, in order to bring into the spotlight the crucial role of the maritime industry and focus on knowledge sharing and promotion of the sector to the masses through various activities like seminars and workshops, exhibitions, publications, etc. Celebration of Maritime Day on such wide platforms is wonderful reminder of nation’s abiding faith in the importance of maritime sector.

I WISH ALL A VERY HAPPY MARITIME DAY

FEEDBACK

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