

SEACURUS BULLETIN

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SHIPPING IN THE SPOTLIGHT

STOWAWAYS & SECURITY | NIGERIAN TANKER BAN | PIRACY ON THE RISE



Inside this issue we explore the news and analysis currently shaping shipping. From Nigeria and Iran to Suez and beyond, shipping continues to face threats from piracy, terrorism, stowaways and illegal trading, we look at these issues as well as the latest criticisms faced by the industry.

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Welcome

➤ Welcome to another edition of Seacurus Monthly Bulletin – as ever we take the opportunity to look at a range of key issues in greater depth than our usual daily news briefing can offer.

The past month has seen a high profile attacks on shipping – both in the form of Libyan jets and ISIS terror plots, but so to at the hand of the NY Times. A series of articles has laid bare shipping's problems – and we look at the finger pointing and response from the industry.

There has been a focus on marine insurance recently – as a range of P&I Clubs have expressed concerns at the level of uncertainty, volatility and cost floating around the market. With a series of sales and mergers rumoured to be in the offing, we look at what is troubling the sector.

Over in Nigeria the focus has switched from pirates to politicians – both of which can have a disastrous effect on shipping. The new Nigerian President has banned a host of tankers from the country, and the repercussions are now starting to be felt. We look at how this echoes past

moves, and try and understand what prompted the ban, and what the possible implications are.

We also look at the problems facing shipping in the Mediterranean. The migrant mayhem which has been gripping the area for the past year is bad enough – but now the Med is being rocked by even more concerning security threats.

In Libya, attacks on tankers have continued, whilst in Egypt terrorists have attacked naval vessels with rockets, and the capability they have demonstrated means that they are likely to be able to threaten merchant vessels too.

The problems are not restricted to the coast – as the newly widened Suez Canal is having security concerns. A plot by the Muslim Brotherhood to bomb the canal was foiled, but there are real fears that another attack may be in the planning phase.

It is interesting to note that for once, so much of the maritime security issues are unrelated to piracy, but are now focused on terrorists and

rogue governments. However, that is not to say the piracy issue has been quiet in the past month.

Inside this issue we also look at the latest data from ReCAAP and the International Maritime Bureau – as well as exploring worrisome news of cuts in standards within some maritime security providers.

We hope you find this issue of Seacurus Monthly Bulletin of interest, please feel free to contact us on any of the issues raised – and we would be happy if you pass this on to any friend or colleagues who you think may be interested



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SHIPPING IN THE SPOTLIGHT

The New York Times has been running a fascinating series of articles on shipping. Absorbing though the pieces have been, they are highly critical of shipping, with a range of uncomfortable allegations being made.

According to the first article in the series, “Few places on the planet are as lawless as the high seas, where egregious crimes are routinely committed with impunity”. The article stresses that despite the global economy being ever more dependent on a fleet of 100,000 large merchant ships, today’s maritime laws lack teeth, while thousands of seafarers, fishermen or sea migrants die suspiciously annually.

The series opened with a hard hitting expose of what they term a “scofflaw” vessel - a ship which pays no regard to the rule of law, to convention or the ways of the sea. The scene is set as two Tanzanian stowaways, unfortunately having chosen the wrong ship – the “Dona Liberta”, are set adrift out at sea. The Master and crew seemingly immune to the fact they could well be putting them to death out in the ocean

RULE OF LAW

It is to this dramatic backdrop that the author, Ian Urbina, goes on to explain the weaknesses in the rule of law on the high seas, and of the many vessels – similar to Dona Liberta (now “Sea Pearl” – registered in Vanuatu), which plough their commercial furrow with only the merest nod to compliance with the rules.

Out at sea, runs Urbina’s argument, no-one is policing compliance, no-one is holistically taking responsibility for shipping and there is no requirement to report violent crimes committed in international waters. The whole system beyond the territorial waters of nations is a mess, runs the thesis.

The black marks against shipping run deeper. The article claims that “On average, a large ship sinks every four days and between 2,000 and 6,000 seamen die annually, typically because of avoidable accidents linked to lax safety practices. Ships intentionally dump more engine oil and sludge into the oceans in the span of three years than that spilled in the Deepwater Horizon and Exxon Valdez accidents combined – and emit huge amounts of certain air pollutants, far more than all the world’s cars”.

In essence this is a tale of weak rules, poor oversight and violence on the high seas. Alas while the article finds many, many holes in the way things are done – answers are rather less forthcoming. Though the shipping industry has been rallying to find them.

EXPERTS WADE IN

The argument that shipping is dirty, dangerous and polluting is one which experts of various different backgrounds routinely disagree on. The report also claims that the 16 largest container ships in the world emit more sulphur into the atmosphere than all the cars in the world combined. If there are in excess of 760 million cars in the world, this is truly an astonishing statistic. How can 16 ships produce more ‘pollution’ than 760 million cars?

In response, the industry claims it is making great strides, while the nay sayers point to evidence of deaths, spills, collisions and accidents. Industry advocates Clay Maitland and Carleen Lyden-Kluss, Executive Director of the North American Marine Environment Protection Association (NAMEPA), criticised the recent articles as a “misrepresentation of the international maritime industry”, and “attack journalism that inaccurately portrays the safest industry transportation sector in the world”.

While the merits of both arguments can be debated – answers are rather less forthcoming.



The fact that problems at sea are a symptom of problems ashore is clear. Consumers accepting goods regardless of how they got to be in the store is perhaps the biggest single point of failure. While charterers tempted by low freight rates drive demand too.

Until buyers exert power, then change will not come. Until charterers are held accountable, then change will never happen. Oil majors have long accepted that they need to use ships which they stringently vet, so why not other areas of the industry? Is it time for a quality revolution – one which doesn’t allow good tonnage to be undercut by subpar performers?

CRIMINALLY MINDED

For all that it makes fascinating reading – if somewhat depressing. We can only hope that it does somehow act as a stimulus for positive debate. There are criminally minded shipowners, and these will do whatever they can to make a buck. However, most problems are not caused by hardened criminals. There are endemic, long reaching and fundamental issues with the way in which global shipping is administered.

What it will take is a pincer movement – but this has to start with consumers. Shipping is a conveyor belt of international trade, it exists to both fuel demand and to respond to it. This is demand which ultimately stems from consumers. By making them understand the implications of using sub-standard vessels, of tired, stressed, lonely and ill fed seafarers, then slowly there can perhaps be a change.

But a consumer revolution, unlikely as it is, would only ever fix one part of the problem. The fact remains that the law of the sea grants all nations the freedom of the sea – and their vessels can operate with relative impunity, if they so wish. Weak oversight, disinterested governments and shipping interests being sold off to foreign management companies – can unfortunately combine to produce too many cracks and dark hiding places for the criminal shipowners, but so too ones who are happy to take a chance and cut corners

POLICING THE RULES

Until there are robust means by which laws can be applied and policed, then the problems will simply rumble on. It is pleasing to note that the past year has seen some real strides being made with regards to human rights at sea. By turning the focus back onto the seafarers who suffer, we can make it a human interest story, we can make people understand and empathise. We can also highlight that for all the wonderful work of the United Nations, the International Maritime

Organization (IMO), and the International Labour Organization (ILO) – they are undermined, weakened and made irrelevant by the weaknesses in the current system.

There are good shipowners – they care about their people, the environment, their company image and of how they operate. There are average owners who occasionally care about all those factors too – but not often all at the same time. Then there are bad owners – they care purely about money – they want the maximum cash in for the minimum effort out. They don’t care about the rules, or of their seafarers, or of their vessels – they run rusty, old, broken ships as long as they can get away with it.

It seems the real focus of change needs to be to ensure that the bad owners can’t operate with impunity and without regard for law and standards, and that charterers won’t use them – and that somehow consumers can be persuaded from buying what arrives on them – that may be fine for giant plasma TVs on the shelves of a local superstore, but not so easy when it is bags of cement, or loads of bauxite. Who should care then?

SWITCHING LIABILITY

Perhaps that is where the issue of liability needs to come into play. The Carriage of Goods at Sea rules and legislation only really addresses disputes between the ship and the cargo owner – and only then when things go wrong. What if liability for ships being unseaworthy or plain dangerous or polluting extended to the charterer or cargo owner? Then perhaps there would be a little deeper due diligence.

If you were a passenger in a taxi and were liable for any speeding tickets the driver accrued, or if you were jointly responsible for the venture – then you may choose your cab with a little more discernment. Perhaps those using ships need to be tied into the consequences of their actions a little more robustly? Alas, perhaps all that will do will drive the accountable deeper behind more layers of corporate veils – the links to beneficial ownership made ever more opaque and disguised.

Port State control has done a great job of tightening the noose on bad owners. It would be a very foolish shipowner that took his awful ship, flying a flag with a dreadful safety record, with a tired, under fed, unqualified crew into the UK, US or Europe. But there are areas of the world without these policing mechanisms, and that is where the world of “dark shipping” resides. These are the ships which slip between the cracks of all the world’s best efforts and interests.

STOWAWAYS AND SECURITY FEARS

The second article in the New York Times series on shipping looks at security issues, human rights and violence that our focus has been drawn. The second article in the series features a vivid and horrific video of people being shot at sea.



IMAGE: ISPS CC

The video appears to show defenceless people in the water being gleefully shot from a fishing vessel, as the crew react to a surreal set of instructions barked from a loud speaker. “Shoot, shoot, shoot”, is the clear message – and the crew do exactly as they are told.

The NY Times – once again uses this as evidence to support it’s the theory that there is a new “Wild West” out at sea – people killing with impunity, people stealing and raping the seas of their bounty.

FINDING THE TRUTH

So what is the truth? Is it fair or accurate to suggest a complete breakdown of security and the rule of law out in international waters? Well, as with most arguments, the truth is perhaps more complex and nuanced.

Yes, terrible crimes are committed at sea – but so too are they ashore. Violence, exploitation and criminality do take root where they feel they can thrive – and there are definite concerns that on the High Seas the weaknesses in any command and control structures do make it easier to commit illegal acts.

However, the United Nations Convention on the Law of the Sea (UNCLOS) does provide a structure, as too does Maritime or “Admiralty Law” – it is simply hard to apply it to the reality of 70% of the planet, and some of the most isolated places on Earth.

There is a very difficult balancing act which has to be maintained; applying law to what is termed a “global commons” - an international, supranational, and global resource is no mean feat.

UNCLOS, as a body of public international law governing relationships between nations in respect to navigational rights, mineral rights, and jurisdiction over coastal waters, does its best – but holes have been emerging.

LEGAL CHALLENGES

The very issue of Somali piracy was extremely challenging, and had led a number of leading studies to suggest that UNCLOS was perhaps in need of a review. SAMI took part in workshops at Dalhousie University in Canada, and this was a repeated lesson which emerged.

While the United Nations Environment Programme (UNEP) has identified several areas of need in managing the global ocean: strengthen national capacities for action, especially in developing countries; improve fisheries management; reinforce cooperation in semi-enclosed and regional seas; strengthen controls over ocean disposal of hazardous and nuclear wastes; and advance the Law of the Sea.

There will be no way of fixing the wider issues, problems and weaknesses which are mentioned in the article until the laws governing the seas are reviewed, and a means of policing, compelling and demanding compliance are in place.

As to the issue of shipping, yes there do exist criminally minded shipowners, and these will do whatever they can to make a buck.

The various shipping organisations rightly point out that the vast majority of shipowners and companies



IMAGE: ISPS CC

are law abiding- but the argument against that point suggests that the laws aren’t robust enough or sufficiently policed

ENDEMIC PROBLEMS

The implication is the way in which global shipping is administered is an endemic, long reaching and fundamental problem. Something which runs contrary to the application of workable sanctions on the High Seas.

The main stay of the industry and of UNCLOS is the requirement that vessels have a Flag State and that they be governed by the laws of that State. This system works well in a best case scenario – but some Open Registers seemingly struggle when things go wrong.

Again piracy is a case in point, so too migrant and stowaway issues, and the reporting and response to crime at sea. A Flag State may function well as an administrative body – but without a navy, law enforcement or real investigatory resources – then problems will fall through the cracks.

The fact remains that the law of the sea grants all nations the freedom of the sea – and their vessels can operate with relative impunity, if they so wish.

Weak oversight, ill-equipped and under resourced States – all these combine to produce system which facilitates trade, but which also has too many cracks and dark hiding places for the criminal shipowners.

THE BACKLASH

As stated earlier in this month’s edition, there has been something of an industry backlash to the NY Times articles – and while the public relations mechanism may kick in and do some damage limitation for the industry, the fact remains that such exposes are a chance to respond not by decrying the reporting, but by fixing the problems which are highlighted.

Shipping does suffer from the problems which have been highlighted – but the real truth is more subtle, and the fact is that the kinds of owners featured and the sorts of problems covered are fairly rare and exceptional. So, alas, by talking up the really scary stuff, the NY Times has missed the chance to find the bigger, though more mundane issues.

In focusing on real horror stories the series has backed the shipping industry into a corner and they have come out fighting - which is a shame, as this now appears to be a lost opportunity which may have helped shipping to address problems, but of course bad news sells and readers only really want tales of murdered stowaways and environmental destruction.

The less dramatic truth would probably not got the author a shout at a Pulitzer prize, nor pulled readers into the paper. So we are left with shipping’s image tarnished and experts becoming red in the face arguing about the attack on the collective reputation of an industry – but ultimately with such extremes in play, it seems unlikely that any real positive change will occur. Which is a missed opportunity for us all.

Piracy on the Rise

Piracy may have played second fiddle to maritime terrorist attacks and threats in recent weeks, but there is a worrying rise in attacks off SE Asia, concerns that the tinder of piracy may reignite in Somalia, and the fear that reports are being suppressed in West Africa.

ReCAAP Information Sharing Centre (ReCAAP ISC) recorded 106 piracy incidents in Southeast Asia in the first half of 2015 (1H15), an increase of 18% year on year. Out of the 106 incidents, six cases were classified as attempted incidents, while the remaining 100 cases were actual incidents. The bulk of the incidents in this period was petty thefts, although there were 10 severe, or Category 1 incidents, involving fuel/oil siphoning and hijacking.

While the IMB has stated that a small coastal tanker is hijacked by pirates in South East Asia every two weeks. The new report found that South East Asia accounted for 55 per cent of the world's 54 piracy and armed robbery incidents since the start of 2015. The report also found that after a steady drop in global piracy over the last few years, attacks rose 10 per cent in the first quarter of 2015. Worldwide, pirates took 140 hostages in the first three months of 2015, three times as many as during the same period in 2014

IN THE INDIAN OCEAN

Over in Somalia there are concerns that the recent quiet spell could be coming to an end. According to the United Nations Development Programme in Somalia (UNDP Somalia), 67% of Somalis aged 14-29 are unemployed. This is particularly worrisome given that over 70 percent of Somalia's population is under the age of 30. There are fears of new threats emerging as a result of the enmeshment of pirate groups with jihadist networks. There is a risk that impressionable, disillusioned young men could be radicalised," it warned.

This is perhaps even more worrying as a study from the European Commission's Joint Research Centre says that shipping patterns in the region have returned to what they were before the height of pirate attacks. The paper shows that vessels have increasingly returned to sailing along the shortest route, closer to the Somali coast along which pirates had been based, at slower and more-efficient speeds, thereby lowering fuel consumption and cutting transport costs.

The study is said to be based on analysis of data gathered between 2009 and 2014 from the international Long-Range Identification and Tracking (LRIT) system, and it clearly shows that vessels are putting themselves potentially back in the sights of pirates once more.

Some believe that if piracy does flare again in the Indian Ocean, then owners will simply turn to private maritime security companies (PMSCs) once more. However, this may be problematic – as there are fears that many of the PMSCs that remain in business have become embroiled in

a terrible “race to the bottom”, as they have cut costs and standards to win contracts

WEST SAYS IT'S BEST

A rather miraculous thing seems to have happened in Nigeria since President Buhari came to power. Since taking the nation's reins, it appears that piracy has stopped in Nigerian waters.

While this is being hailed as something of an incredible coup – it seems that the truth may be somewhat more complicated. According to observers, attacks have been going unreported as the nation has been wrestling to cope with the change in personnel at the top of all its armed forces and NIMASA.

As the data is reassessed, it also seems that there has been a flurry of activity just outside Nigerian waters – with IMB reporting 10 attacks in the region.

RACE TO THE BOTTOM

UK-based intelligence company Dryad Maritime reckon the race to the bottom in pricing has left some shipowner/operators and charterers spending money on ineffective or even unsafe armed solutions because they charged the least. While maritime security brokerage ASKET echoes these concerns, stating that with a pricing war underway firms are cutting corners in a dangerous way.

Emma Mitchell of ASKET reports that market pricing for security services is at an all-time low, and states that the cutthroat nature of the PMSC business means the industry may only just be paying enough to ensure it is compliant and credible. “Some security companies are employing sub-standard contractors or illegally sharing weapons to allow them to maintain margin,” Mitchell reports. Her company has rejected three PMSCs even with ISO28007.

Even where PMSCs may be of the requisite standard, it seems that many are tinkering with contracts to the detriment of their clients. BIMCO has claimed that some PMSCs are using ‘non-authentic’ copies of its Guardcon contract. The shipowner's body says in a few cases these “homemade” versions of Guardcon use wording that is different to that found in the genuine document and may lessen the liabilities and responsibilities of PMSCs. “As these changes are not clearly marked in the text... it may be quite difficult for a shipowner to detect the differences,” BIMCO warned.

Thus the problems for owners assessing the threat of attack and the risk of protecting against it means that there are headaches and potential problems at most turns.

EXPANDING SUEZ CANAL THREATS

There has been a troubling descent into maritime chaos which has seemingly been affecting the Mediterranean, most notably off the coast of North Africa. From the tragic deaths of innocent holiday makers in Tunisia, through to air strikes on tankers loading cargo in Libya, through to rocket attacks on patrol boats off Egypt.

It seems that even putting aside concerns about mass irregular migration – the area is currently a dangerous one for shipping. This is despite the fact that the United Nations last month brokered a new peace deal in Libya.

The signatories include the Internationally Recognised Government and the municipalities. A unity government seems a positive step, but experts agree that there remains a question mark over whether the Tripoli based government will become part of the new peace deal, rendering some doubts as to whether it can be held together.

As an indication of the scale of the problem. After a spate of earlier attacks, Libya's internationally-recognised government last month again claimed its warplanes had sunk one vessel and attacked another close to the coast of Benghazi. An air force spokesman was quoted as saying that the vessel was sunk, “because it had loaded fighters, weapons and ammunition to support terrorism in the Eastern region,” Reuters news agency reported.

Several ships have come under fire under similar circumstances this year. Earlier last month, Libyan forces bombed the 1997-built 5,100 dwt Cook Islands-flagged “Tuna 12” in international waters as it approached the Port of Tobruk, killing the third officer.

SERIOUS THREATS ELSEWHERE

The threats posed to shipping in the region are extremely serious and concerning – and as the Suez Canal is set to open new expanded channels, more and bigger ships are potentially in the firing line. The threat posed to the trade route is perhaps greater than ever. With the expanded canal an obvious and likely target of terrorists we look at the implications and situation in recent times.

The Suez Canal extension is a new 72 km-long channel that will enable convoys transiting the canal to navigate in both directions for the first time since the canal was opened 146 years ago. The expansion of the waterway will alleviate chronic congestion and provide Egypt with a much-needed boost in foreign currency.

The project, which involves widening and deepening the waterway as well as digging a parallel 34km channel, the reduction in navigation time for ships will see a drop from some 18 to 11 hours for most vessels. While massively boosting the nation's finances - according to its planners, the expansion will help increase Suez Canal revenue from an annual average of \$5bn to at least \$13bn by 2023.

Estimates have stated that the number of ships sailing through the canal will double by 2023, though many outside of Egypt are rather more sceptical. What most experts do agree on is the potential threat posed to the canal by terrorist – in particularly ISIS and the Muslim Brotherhood.

NAVAL ATTACK

In recent weeks ISIS has pushed further into Egypt, and more than 100 were killed in bitter fighting between security forces and the militant group in Sinai. While last month saw ISIS claim its first naval attack on an Egyptian vessel in the Mediterranean.

The Egyptian vessel engaged the reportedly ISIS militants in a firefight off the Sinai coast close to the Sinai border. The exchange of fire resulted in the naval vessel being targeted by a rocket and catching fire. The Egyptian military reported no casualties among the vessel's crew, while ISIS claimed to have destroyed the vessel and killed the crew.

SUEZ TARGETTED

While the Muslim Brotherhood attempted to bomb shipping in the canal last month - Egyptian authorities arrested 13 Muslim Brotherhood members on suspicion of planting bombs around the Suez Canal to disrupt shipping.

The terrorist cell, which included a Suez Canal Authority employee were accused of planted bombs in areas such as sanitation and electricity facilities and on public beaches. Prior to the opening of the expanded canal the authorities have launched a new campaign against the group and there has been a series of arrests.

It is not only bombs which are cause for concern, back in 2013 an incident occurred in which a COSCO container ship transiting the canal came under RPG fire from a brigade linked to al-Qaeda.

ISIS and the Muslim Brotherhood are both highly motivated to strike at such an important target as the Suez Canal – it is prestigious, valuable and would allow a real message to be sent out, if they are successful. While politicians in Egypt have sought to downplay the ISIS threat to the canal, it is clear that the danger remains credible, real and present.

STAKES ARE HIGH

The stakes could not be higher for Egypt - and the security threat needs to be swiftly dealt with. The newly expanded canal will only have a short window of opportunity as the Panama Canal is due to complete its own set of bigger locks by April 2016 to enable it to accommodate larger container ships.

This means that Suez is likely to face more competition for shipping between Asia and the eastern seaboard of the United States – while the attraction is obvious for many to use Suez and ongoing and protracted struggle against terrorism could well see some shipping companies exploring alternative routes

RUSH TO NEW RISKS AND OLD

Last month saw the signing of a new agreement which will open the door for Iran to be welcomed back into the international community. This has caused a frisson of excitement as insurers look to provide cover.

➤ The Joint Comprehensive Plan of Action (JCPOA) is a comprehensive agreement on the nuclear program of Iran, and was signed in Vienna on 14 July 2015 by the P5+1 (the five permanent members of the United Nations Security Council—China, France, Russia, United Kingdom, United States—plus Germany), and the European Union.

Formal negotiations toward the JCPOA have been ongoing for a number of years – and under the agreement, Iran has agreed to eliminate its stockpile of medium-enriched uranium, cut its stockpile of low-enriched uranium by 98%, and reduce by about two-thirds the number of its centrifuges for at least fifteen years.

For the next fifteen years, Iran also agreed not to enrich uranium over 3.67% or build any new uranium-enriching or heavy-water facilities. Uranium-enrichment activities will be limited to a single facility using first-generation centrifuges for ten years. Other facilities will be converted to avoid proliferation risks.

To monitor and verify Iran's compliance with the agreement, the International Atomic Energy Agency (IAEA) will have regular access to all Iranian nuclear facilities. The agreement provides that in return for verifiably abiding by its commitments, Iran will receive relief from U.S., European Union, and United Nations Security Council nuclear-related sanctions

SLOWLY OPENING TRADE

The agreement opens the way for the restoration of trade activities with Iran. This has seen Western and Middle East insurance specialists viewing Iran as an appealing \$8 billion market.

Eight out of 11 insurance and reinsurance specialists who responded to questions emailed by Reuters said Iran was an attractive or very attractive market, especially in the marine and energy sectors.

The current sanctions against Iran, contained in EU Regulation 267/2012 (as amended), remain in effect whilst arrangements are made for implementation of the JCPOA.

The EU has, in the meantime, passed Council Decision 2015/1148 of 14 July 2015 to further extend the suspension of sanctions measures relating to certain trades under the Geneva Joint Plan of Action until 14 January 2016.

As such, the current thresholds on transfers of funds that require notification or prior authorisation remain unchanged and HM Treasury's guidance on this (see the guidance in full here <http://goo.gl/bc4anj>) remains valid.

While the EU Regulation restricts the ability of individuals or companies to:

- Transfer funds between Iranian financial or credit institutions and EU financial or credit institutions, and
- Transfer funds to and from Iranian persons, entities or bodies

UNCERTAIN TIMES

The rush to offer cover and trade to Iran is perhaps inevitable, but also hints at the volatility and uncertainty which marine insurers are operating in. The concerns about the levels of difficulty which faces companies has been at the core of a number of statements lately – especially as forays into new areas such as the Arctic are considered. Last month both Skuld and NORTH P&I Clubs spoke out on the subject or risk to shipowners and insurers alike.

Ståle Hansen, President & CEO of marine insurer Skuld, last month spoke of the challenges of Arctic exploration. "We must bring into stark focus the uncertainties and difficulties that will face operators in this formidable region," he said.

"The responsibility falls to us as an insurer to consider fully the risks and challenges that our members and clients will encounter and to prepare accordingly to meet them head on", says Hansen. From an insurance perspective, the cost of an accident similar to the "Deepwater Horizon" blowout in 2010 is of great concern, and Hansen said that BP estimated its share of Deepwater Horizon liabilities totals roughly \$42 billion. In the Arctic it could be higher.

While NORTH feels that "Unpredictable markets and continuing marine claims volatility means the international shipping industry is facing a particularly challenging time". This was according to Pratap Shirke, chairman of the P&I club.

"Shipowners continue to operate in unpredictable shipping markets and the economic climate shows little signs of improvement," he said.

"Despite a modest recovery in certain sectors of the market, we do not expect freight rates to return to breakeven or profitable levels for another couple of years, as the over-supply of tonnage remains an issue for the shipping industry." He also noted North's members experiencing an unusually high level of larger claims during the 2014/15 policy year.

SWEEPING TIDE

According to marine insurance experts elsewhere, the industry is being swept with a wave of mergers rule changes and scarcity of seafarers. Speakers at the Propeller Club in New York noted that "more M & A activity is on the way", while elsewhere a constantly changing set of laws and their interaction with court decisions is hitting insurance.

There were also concerns that a scarcity of qualified seafarers was a major factor impacting the business likely leading to more accidents. This is an issue which has been worrying major shipowners too.

Just last month a senior executive from Maersk Tankers said that a short of quality crew remains a major concern for shipowners and operators. "Shipowners and operators are constantly looking for quality crew," Santosh Khosla, global head of manning offices for

He said, "The options to recruit quality crew remain limited." In the case of just tanker fleet Khosla said there was an estimated shortage of 16,000 officers. "For any shipping company building a pool of high quality seafarers is a challenge." Even once a pool of quality crew is built up retention remains an issue.

ONE AREA OF IMPROVEMENT

One issue which has long hit insurers hard has been the issue of medical payouts to seafarers. Finally after years of campaigning, the Philippines is set to pass an "Anti-Ambulance Chasing Act", which will clamp down unscrupulous practices by lawyers representing seafarers in personal injury cases.

With Filipino officer level seafarers entitled to \$250,000, and ratings \$125,000, in compensation if judged to be fully disabled when injured at work ambulance chasing lawyers have been bringing inflated injury claims that have become of increasing concern to shipowners and managers.

At present such lawyers take up to 50% of awards as their fees and can also lend money to the claimant while cases are ongoing. The new act is about to pass into law, and is deemed extremely important and progressive.

Finally seafarers will not be cajoled into making claims which could cost them large sums of money, and which can actually lead to them becoming indebted to lawyers. Something which is doubly concerning, as the seafarers in question will have lost the ability to earn through injuries.





IMAGE: DANNY CORNELISSON

NIGERIAN TANKER BAN ROCKS INDUSTRY

Nigeria's state oil company NNPC last month banned 113 oil tankers from the country's waters, citing a directive from new President Muhammadu Buhari. It was claimed that the move came as part of efforts to crack down on illegal crude oil trading.

The vessels, which include mainly VLCC crude oil tankers, are banned from calling at Nigerian crude oil terminals and also from Nigerian waters with immediate effect, said a letter circulated by NNPC, "pending a notice to the contrary by government".

The July 15 letter, reportedly gave no reason for the ban, but there are feelings that it relates to Buhari's campaign pledge to tackle corruption, particularly in the oil industry.

In addition, Buhari has dissolved the NNPC board and ordered an investigation into a scheme through which the country swaps crude for oil products such as gasoline. The sweeping changes have not stopped there, as the President has also taken a broom to the armed forces too.

He has fired Nigeria's Chief of Defence, and the heads of Army, Navy and the Air Force. In addition, the appointment of Patrick Ziakede Akpobolokemi as Director-General of the Nigerian Maritime Administration and Safety Agency (NIMASA) has also been terminated.

WHAT EFFECT?

While there have long been calls for decisive action to tackle crime and violence, the extent of the Nigerian ban has confused many oil traders and vessel owners. Not least because they have noted the list included ships that have not called at Nigerian ports for years, as well as several tankers, such as the "Happiness", the "Huge" and the "Diona", operated by Iranian group NITC, which has had little business for Nigeria for some time.

Some of the vessels are also listed twice, meaning the number of banned vessels could be smaller than 113.

A trader with a major oil company said there was no obvious reason for the ban, while a source close to operations at Indian Oil Corp, a key buyer of Nigerian crudes, said the refiner would definitely be impacted if the list is accurate.

Bjorn Hojgaard, chief executive of Hong Kong's Univan Ship Management, said, "There are a number of Univan-managed vessels on the list, but we have certainly not been notified," Hojgaard said. The confusion and lack of communication has only served to heighten the bemusement of many.

SAME AGAIN

Coming out of the blue the tanker ban has certainly been a shock to owners with vessels on the ban list, but the action is not without precedent, and many recall a similar ban on liquefied natural gas carriers two years ago.

According to a report from Lloyd's List, back in June 2013, the Nigerian Maritime Administration and Safety Agency forced Nigeria LNG to stop exports, detaining 16 LNG carriers in Nigerian waters.

NIMASA claimed Nigeria LNG — a joint venture between Nigerian National Petroleum Corp, Shell, Total LNG and Eni — owed it taxes.

The 16 vessels in Nigeria's waters were prevented from sailing and chaos ensued, NIMASA content to disrupt Nigeria's LNG export chain until it received what it felt it was owed.

After a gruelling stand-off of around a month, Nigeria LNG agreed to pay around \$140m in arrears and accepted future levies; the case is still going through the courts to sort out the detail of those future levies.

WHAT EFFECT WILL IT HAVE?

During the 2013 NIMASA blockade, it was believed that the Nigeria LNG industry lost some US\$471m in revenue, and damaged its reputation as exports from the 22m tonnes per year LNG plant at Bonny were halted.

With the current ban extended to far more vessels it is likely that the ban list could hit the oil industry even harder, and there are urgent calls for it to be lifted.

Perhaps more worrying is that far from lifting the ban, it seems that more vessels are being added to the list. Industry association INTERTANKO, whose independent members own the majority of the world's tanker fleet claim the current list of banned tankers was "not exhaustive and already further tankers are being added".

This is despite the fact there were no "evidence or grounds" given for the ban. It has been stated that the current understanding is that these ships may have been targeted due to a failure to provide official outturn figures at their last call and/or commercial differences between load and discharge figures for cargo and free water.

PROTESTING THE BAN

"INTERTANKO protests in the strongest possible way that these bans should be lifted with immediate effect until grounds and evidence for the ban have been given to each vessel and vessel owner/operator, and the owner/operator has had an opportunity to respond," General Counsel Michele White wrote in the letter: "The timing of the ban is clearly a political signal to show the Buhari administration is clamping down on oil theft," said Alex Vines, head of the Africa Programme at Chatham House.

According to the industry the challenge now is for the Nigerian authorities to provide credible proof that these indexed vessels were engaged in illicit activities. Though assumes that they care. Which in a political firestorm is unlikely to be the case — the ban has seemingly been brought about not to particularly target tanker owners, but to impact Nigerian interests.

As with most kinds of domestic dispute, it is often the innocent by-standers which get caught in the problem, and it can be difficult to break free. With growing pressure it is to be hoped that the ban does not last too much longer — but that will likely depend not on the outside world, but on the success of Buhari's internal power play.

SHORELEAVE ATTACKED BY SECURITY FEARS

Shoreleave is considered one of the most time honoured and important aspects of being a seafarer. The ability to get away from the ship and pressures of work have been long considered sacrosanct – that was before.

It has been suggested that one of the issues which has done so much to undermine maritime security was the way in which the International Ship and Port Facility (ISPS) Code and the United States' Maritime Transportation Security Act (MTSA) were introduced to the industry.

The rules, which were a massive step change for industry and life changing for seafarers, were rolled out without any real consideration of the way in which the pros and cons needed to be explained. All of a sudden the “stick” of the rules was clear, but the “carrot” of benefits was very hard to see – especially for those charged with responsibility to enacting it on the front line.

Almost overnight - port States, ports and terminals ramped up their security. Suddenly shoreleave, for so long a natural, expected and much needed part of a seafarer's life became a political, security and law enforcement issue.

CAGED BY RULES

Seafarers – who previously has been able to move relatively freely become caged by the rules which were ostensibly meant to protect them – but which were really in place to protect ports from them or certainly terrorists masquerading as seafarers or ships which had been turned into giant floating bombs.

The threats which ISPS was meant to counter never really came to pass – the explosion on the “Limburg” was a hint at a terrorist threat which was never fully realised, and the growth of modern piracy has flown in the face of the new security regimes.

The Ship Security Plans (SSPs) which were required for compliance often went the same way as the safety management systems before them. Unwieldy, unrealistic and expensively cobbled together tomes were produced which were either copied from elsewhere or ignored the real threats. Some industry experts believed the best thing to do with many ship security plans if pirates attack was to throw them at the skiff. At least they may do some good as a weapon.

Joking aside, the tragedy for maritime security has been that good ideas, positive systems and necessary actions have been sidelined, ridiculed and criticised because all too often security is considered in isolation. There is an assumed vacuum when security is applied. Too little attention is paid to the realities of shipboard life, and of the seafarers who have so much more to do, but who have to make security work too. The Seafarers Happiness Index, an ongoing study of crew job satisfaction, has found increasing concern and dissatisfaction surrounding the issue.

HAMPERING INNOCENT PEOPLE

This is why the issue of shoreleave and the effect which security rules have had is so important. This is a case in which security is hampering the lives of the innocent, but without necessarily deterring or protecting against the guilty.

Both the ISPS Code and MTSA have port security components – and between the two there is a raft of security measures covering all means of access to the facility. Soon after implementation of MTSA, complaints were made by seafarers and by ship owners about the inability, at some port facilities, of seafarers to get ashore and for vendors and other maritime representatives to reach a moored vessel.

Some port facilities prohibited transit through facility, even prohibiting seafarers from stepping onto the berth to obtain draft readings. Others would only allow transit if scheduled well in advance, and then charged high fees for the required escort service. Such situations were unfair, unreasonable and in making seafarers a scapegoat for security did little to actually improve the level of protection afforded to the port.

CONCESSIONS ARE EMERGING

Seafarers who fail to obtain shore leave in the US are generally stuck on their ships by visa issues, according to a new survey. The issue was highlighted by the 14th annual Shore Leave Survey, released last month by the Seamen's Church Institute (SCI) Center for Seafarers' Rights.



IMAGE: U.S. Coast Guard photo by Petty Officer 1st Class Henry G. Dunphy.

The US requirements for non-nationals to obtain crewmember visas for shore leave are well known and decried across the industry – but they are actually also in conflict with the FAL Convention.

Thankfully, some concessions to seafarers emerged. The “Coast Guard Authorization Act of 2010” added a note on MTSA, and stated that each facility security plan approved by the Coast Guard “shall provide a system for seamen assigned to a vessel at that facility, pilots, and representatives of seamen's welfare and labour organisations to board and depart the vessel through the facility in a timely manner at no cost to the individual.”

This was hugely significant – and taking this further the US Coast Guard is in the process of preparing regulations to officially implement this statutory provision. Finally, over a decade since the rules came into force; seafarers are to be embraced not vilified.

NEW USCG REQUIREMENTS

Under the USCG proposal, facilities regulated by the MTSA would be required, within one year, to implement a system for providing access through the facility that enables individuals to transit to and from a vessel moored at the facility and the facility gate in a timely manner and at no cost to the individuals.

This is a major change and development for industry – no longer will seafarers visiting facilities in the United States be held in the equivalent of solitary confinement.

The guarantee of access to shoreleave is to be held, which should be good news for all. However, that may not be the case – and it could be that both the concept of shoreleave and the damage done to the reputation of security are longstanding and worrying.

Security should never have been used as a tool to make seafarers suffer or to deny their freedom. The barriers to shore access which have literally and metaphorically appeared over the last decade have had a serious effect on seafarers.

Historically we would perhaps have expected seafarers to enjoy the time when their vessel eventually arrived into a port. However, that no longer seems universally true. With increasing time constraints and pressures, this no longer seems to be the case. For seafarers having to deal with multiple inspections, cargo work, security demands, and the various ports authorities that board the vessel, then the stress and workload in port are ramping up to almost unsustainable levels.

According to a major new study on seafarer satisfaction, “Restrictions, stringent security and high costs placed on seafarers are seen as being majorly significant, and they have a negative effect”. Hopefully the US developments will have a beneficial effect and may turn around the negatives, eventually meaning that seafarers can embrace shoreleave – and they will also once again feel like a positive part of the security chain, rather than pariahs who jeopardise the safety of the ports they serve.

NEWS ROUNDUP

THESE ARE THE OTHER HEADLINES AND STORIES WHICH CAUGHT OUR EYE LAST MONTH

Pilot Error, Master Lies: The U.K. Marine Accident Investigation Branch has released its report into the grounding of general cargo vessel “Vectis Eagle” citing errors of judgement made by both pilot and master, the later trying to then hide the incident from management. On November 30, 2014, Vectis Eagle grounded as a result of the loss of directional control while entering Gijon, Spain. The loss of control occurred as the vessel was rounding an inner breakwater. The investigation identified that Vectis Eagle was unnecessarily close to the breakwater and that the turn was started too early. The pilot had been navigating by eye and his advice was not challenged by the master.

<http://goo.gl/3h66XC>

All the Gear, No Idea: Navigators who sailed with decent companies under respectable flags, were brought up with the golden rule that “keeping a good look-out” was the absolute priority for the hours they were on the bridge. There was nothing more important, because the sea always had the capacity to surprise the person whose brain had gone into neutral. While casualties in general are happily in decline, P&I Club claims statistics largely agree that those due to navigational causes remain stubbornly constant, a source of frustration to those who look at the equipment available to the modern watchkeeper and wonder why this fails to make any difference.

<http://goo.gl/hdhMz5>

Deadly Cocktail of Alcohol and Fatigue: Alcohol played a role in two fatal accidents involving a UK-flagged workboat that occurred less than five months apart in Spain, the UK MAIB has determined. MAIB has published its investigation report into the two fatalities connected with the operation of the workboat “GPS Battler” occurring August 13, 2014 and January 6, 2015. The report notes the alcohol consumption levels of the deceased were in both cases above the legal limit.

<http://goo.gl/XisZ95>

Drunken Captain Guilty: A tanker captain was fined after pleading guilty to being drunk in charge of the 13,776 dwt “Quercianella” carrying 11,000 tonnes of petroleum. Sandro Carnemolla, 53 and from Sicily, was given a suspended four-month sentence and fined GBP1,000 (USD1,550) at Liverpool Crown Court. The United Kingdom court heard that Carnemolla had an exemplary record but had been drinking after ‘a stressful day’. A pilot onboard the tanker while it was leaving Merseyside’s Eastham docks thought that the captain was drunk and called the police, who breathalysed and arrested Carnemolla. The captain had his last drink more than two hours before the incident happened.

<http://goo.gl/pHaOxx>

Zero Deaths Landmark: Last year saw the first time no seafarers died aboard UK flagged vessels over 100 gt, the MAIB reported. Before 2014, UK vessels averaged four deaths per year for the past decade, the MAIB said in its annual report released on 27 July. The MAIB’s records go back 50 years. In addition, for the fifth consecutive year there were no losses of UK merchant vessels above 100 gt recorded (the “GPS Battler” mentioned above was less than 100gt!). The last UK flagged merchant vessel lost was recorded in 2009.

<http://goo.gl/A5pi9q>

Maritime Matters Overlooked: Every seafarer knows that things that happen at sea don’t get the attention of things that happen on land. Oil spilled on beaches makes headlines, abuse and abandonment rarely do. That’s despite the debt we owe to seafarers who bring us, as the title of a recent book reminds, 90 percent of everything. ‘Flags of convenience’ cloak ownership and let those who don’t pay crews, or who run unseaworthy ships, escape detection. How can this be? One reason is the proliferation of flags of convenience, in which countries hire out their flags to shipowners based in other countries on a purely commercial basis.

<http://goo.gl/dVEHLs>

Embracing the Human Element: Simon Doughty, the CEO of Wallem Group, shares his thoughts on the Sailors’ Society’s “Wellness at Sea” program. Wallem is committed to ensuring our seafarers have a holistic, well-balanced life at sea and ashore. Beyond making sure seafarers are prepared for their tasks onboard, we’re also committed to helping them, and their families, have happy and fulfilling lives. Shipping isn’t just a job, it’s a career and a way of life that’s brought a lifetime of challenges.

<http://goo.gl/AsgLrb>

Mental Wellbeing for Seafarers: A newly developed training program for senior seafarers to promote awareness and understanding of mental wellbeing among crews has been trialled in Hong Kong by shipowner Wah Kwong. The goal of the program is to reduce the risk of mental health issues and their consequences on vessels. “Long hours, limited social interaction and separation from shore-based family and friends can lead to stress and the risk of mental health problems” the company states.

<http://goo.gl/nmr9IP>

Vessel Flees from Arrest: A Turkish-registered general cargo ship has been accused of fleeing arrest in Malta over an unpaid bunkering bill. Several local Maltese news sites reported that 1993-built “Feyza Genc” allegedly left Malta at night after being detained by the coastguard over a EUR45,000 (USD49,715) unpaid bill due to Cassar Fuel Ltd Malta. GNC Shipping strongly refuted the accusation, saying the bill was paid in time, but the vessel was arrested in Malta on behalf of Cassar.

<http://goo.gl/0s7K6v>

Aussie Detentions Up: The number of ships detained in Australian ports increased by 15.5% in 2014, according to the Australian Maritime Safety Authority’s Port State Control 2014 report released this month. The authority detained 269 ships last year, up from 233 in 2013. Along with the sharp increase in detentions, ship deficiencies rose 31.1% despite a modest 4.6% rise in ship arrivals. Port State Control ship inspections rose 12% for the year with 3,742 inspections, up by 400. “The overall picture indicates that the international community’s PSC (Port State Control)/ FSC (Flag State Control) efforts are not delivering lasting results,” AMSA said.

<http://goo.gl/P3JnkH>

Next-Gen Cruise Ship Beckon: Costa Cruises has announced plans to build the “next generation” of cruise ship, placing an order for what will be the two largest passenger vessels in the world based on total capacity. With over 2,600 guest cabins apiece, each ship will be able to accommodate up to 6,600 passengers. This is around 300 more than the current record-holder, Royal Caribbean’s Allure of the Seas, which has a maximum guest capacity of 6,296. Both will carry LNG powered engines.

<http://goo.gl/IrZKTs>

Joint Port State Campaign: The Maritime Authorities of the Tokyo and the Paris Memoranda of Understanding (MoU) on Port State Control will launch a joint Concentrated Inspection Campaign (CIC) on Crew Familiarization for Enclosed Space Entry. The aim of the CIC is to ensure effective procedures and measures are in place to safeguard seafarers on board ships when entering and working in enclosed spaces and to check compliance with the applicable requirements of SOLAS.

<http://goo.gl/yocRcC>

Shipping Issues Migrant Rescue Guidance: The industry’s Guidelines on Large Scale Rescue Operations at Sea have been revised. This is in response to the continuing crisis in the Mediterranean, in which merchant ships and their civilian crews have so far assisted in the rescue of over 50,000 people. The new Guidelines update those originally produced by the International Chamber of Shipping at the end of 2014, but now take account of the considerable recent experience gained by shipping companies and their crews. An important aspect of the revised Guidelines is the additional attention given to ensuring that rescued people are looked after safely once they have been embarked on board commercial ships.

<http://goo.gl/Kcd7qz>

MORE NEWS...

ITF Collects Massive Wage Sums: Last year the International Transport Workers Federation (ITF) collected \$59.46m in wages owed to seafarers. ITF general secretary Stephen Cotton said that its inspectors and affiliated unions had collected nearly \$60m in unpaid wages in 2014. "So there are still elements of the industry that need to be tidied up," he said. The lion's share, 81% of the \$59.46m in unpaid wages was collected in Europe with some \$48m. Cotton noted that more than 75% of the unpaid wages collected came from vessels that were not covered by ITF agreements through the International Bargaining Forum (IBF). <http://goo.gl/LKHxvx>

Growing Number of Bunker Debt Cases: In the wake of the OW Bunkers bankruptcy, there has been a growing number of cases where physical suppliers have commenced debt recovery actions against shipowners for fuel supplies that had been negotiated by or through OW Bunkers entities. Different courts are currently considering this and are likely to provide differing answers depending on the facts and circumstances of each case. For example it has been highlighted how under US laws charter terms prohibiting liens on a vessel are not sufficient to defeat liens on a vessel and how this has emboldened physical suppliers to apply their cases in that jurisdiction. <http://goo.gl/sRaSuQ>

IMO Slammed for Lack of Progress: A new report released by the Global Commission on the Economy and the Climate identifies ten key economic opportunities that could close up to 96 percent of the gap between business-as-usual emissions and the level needed to limit dangerous climate change. Shipping is on the list. The new report, "Seizing the Global Opportunity: Partnerships for Better Growth and a Better Climate", states that because shipping companies operate in so many different countries, the transaction cost of having different policies in different states would be prohibitively high. "However, IMO has made little progress thus far." <http://goo.gl/OuukP0>

Shipping's Seven Year Itch: Overall confidence levels in the shipping industry fell during the three months to May 2015 to a level equal to the lowest rating recorded in the past seven years, according to our latest Shipping Confidence Survey. Respondents complained predominantly about low freight rates and overtonnaging, while some expressed continuing doubts about private equity funding. In May 2015, the average confidence level expressed by respondents in the markets in which they operate was 5.3 on a scale of 1 (low) to 10 (high), down from 5.5 in February 2015. This equals the lowest figure recorded in the life of the survey, previously reached in August 2011 and August 2012. <http://goo.gl/6qNZcX>

IMO Getting Better at Regulation: At the IMO Council meeting held last week, agreement was reached about a draft resolution establishing that international shipping regulation must be sharper. With the new resolution, the IMO stresses the need for better regulation and fewer administrative burdens for the benefit of seafarers, shipowners and administrations alike. Already when new regulations are being worded, it must be considered which requirements are imposed on both the seafarers on board the ships and the shipowners' shore-based offices. Unnecessary administrative difficulties must be weeded out before the regulations are written and adopted by the IMO. Seems like a win-win for all. <http://goo.gl/bsLZZY>

Threat to Seafarer Wages: Discussion documents on the "Trade in Services Agreement" (TISA) of the World Trade Organisation published by Wikileaks reveal a continuing threat to seafarers' wages and conditions should the agreement be adopted, the ITF has said. The documents can be seen here: <https://wikileaks.org/tisa>. This latest release confirms the hazards identified by the ITF when it warned that a previous airing of TISA documents predicted a power grab by transport industry players at the expense of the public interest, jobs and a voice for workers (see <http://goo.gl/LFZQfr>). The annex recognises IMO and ILO standards but fails to recognise that their standards set minimum protections. <http://goo.gl/nCR5oF>




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