

FONASBA

CHARTERING & DOCUMENTARY COMMITTEE MEETING OCTOBER 19TH 2001 – HILTON HOTEL ANTWERP

Present: Mrs. G.C. Noer – Chairman, Chartering & Documentary Committee
Mr. P.G.D. Smith – Vice Chairman, Chartering & Documentary Committee
Mr. B. D'Orey – President

E. Bandelj	Slovenia	F. LeBars	France
H. Duc Bang	Vietnam	L. Lindebäck	Sweden
F. Carlini	Italy	A. Lobadowski	France
A. Belmar da Costa	Portugal	U. Masucci	Italy
L.A. Carvalho	Brazil	P. Lopes D'Oliviera	Brazil
R. Corrias	Italy	C.P. Papavassiliou	Cyprus
R.J. Davies	Great Britain	I. Pires Neto	Brazil
P. Demeter	Hungary	T. Rehder	Germany
R. De Meyer	Belgium	M. Ronayne	Ireland
S. Digre	Intertanko	V.M. Simoes Pinto	Brazil
M. Duin	Netherlands	A. Stove Lorentzen	Norway
Mrs. B. Fletcher	Great Britain	B. Szalma	Hungary
G.G. Findlay	Brazil	M. Tudor	Croatia
M. Froio	Brazil	V. Vaichekauskas	Lithuania
Mr.J.A. Good	Great Britain	R. Veselko	Slovenia
G.J. Heinonen	Finland	N.A. West	South Africa
M.J. Hennebry	Ireland	S. Winger	USA
J. Hunter	Belgium	G. Wramfelt	"The Shipbroker's Register"
G. Georgopoulos	Greece		Great Britain
A. Houtved	Denmark	P.J. Wood	Great Britain
K. Kuusela	Finland	A. Zanin	Brazil

In Attendance: Mr. J.C. Williams – General Manager
Mr. J.P. Lafranca – Vice Chairman BIMCO Documentary Committee
Mr. S. Larsen – Deputy Secretary General BIMCO

Item **Action**
1. **President's Welcome**

The **President** welcomed all those present to the meeting of the Committee and reminded delegates that this was Mrs. Noer's first meeting as Chairman. Before handing over to the **Chairman**, he said he was sure that under her leadership the Chartering & Documentary Committee would continue the good work that had gone before.

2. **Chairman's Welcome**

The **Chairman** thanked the President for his comments and welcomed those present, extending a particular welcome to messrs. Lafranca and Larsen from BIMCO and to Mr. Digre from Intertanko. She also passed on the best wishes of her predecessor, John Besman, to the meeting.

3. **Minutes of the Last Meeting Held in Paris October 19th 2000 / Matters Arising**

With no comment having previously been received or raised at the meeting, the minutes were taken as being approved. There were no matters arising that were not

already covered under the agenda.

4. **Chartering & Documentary Advisory Panel Membership**

The **Chairman** advised the meeting the current membership of the Advisory Panel comprised Mr. A. Bernardini of Italy, Mr. U. Nüsse of Germany, Mr. J. Pachoulis of Greece, Mr. P.M. Solvang of Norway **Mr. S. Winger** of the United States and **Mr. P.J. Wood** of Great Britain. Of these, messrs. Winger and Wood were present and **Mr. Georgopoulos** was standing in for Mr. Pachoulis.

5. **Reports from the Shipbroking Business**

Reporting on recent developments in **dry cargo**, **Mr. Winger** advised that the previously firm market had recently started to decline, due in the main to an increasing over-supply of tonnage and a global down-turn in trade. Recent developments, both before and after September 11th, have left the USA facing a possible recession and this has adversely impacted on cargo volumes, particularly of raw materials, whilst new vessels continue to be delivered. It is expected that this weaker market will continue for some months. Both Capesize and Panamax rates had fallen over the past three months. In July, Capesize vessels were earning on average US\$ 13,000/day. In August this fell to US\$ 11,000 and by November it was predicted US\$ 6 – 7,000 would be the norm. Panamax rates fell accordingly and only handymax vessels appeared to be maintaining reasonable earnings. Furthermore of course, the downturn in rates had been compounded by the significant increases in war risk insurance following the World Trade Centre attacks.

Mr. Wood reported that the **tanker market** was suffering a similar fall in rates. Compared to the high points of last year, VLCC's were currently showing a drop of 20% and Suezmax vessels 15% and the lowest point had not yet been reached. Only product tankers had gone against the trend with earnings up by 55% on last year. He said the market movements reflected the world economic outlook with oil prices and interest rates falling, OECD economic forecasts down and the possibility of a cut-back in OPEC production.

In the **gas tanker** market, there had, over the past three years been an increase of more than 51% in LNG cargo capacity. Only some 5% of these vessels were employed on the spot market and this is set to decline further as the current poor market prospects continue. The state of the LPG market is dependent on world oil production. It is expected that growth will increase by 8%, particularly if India and China enter the market. As would be expected, the increases in war risk insurance have also had an adverse impact on the tanker market.

Finally, **Mr. Wood** referred to a number of disputes relating to the tendering of Notice of Readiness – and therefore the calculation of laytime - and also the delays that occur in making demurrage claims. **Mr. Smith** advised that in many cases the outcome of any claim may depend on the amounts of money involved. Furthermore, he said that claims for delays in making demurrage claims, that is failing to claim for at least 90 days after the event, were the commonest claims made against tanker brokers.

For Intertanko, **Mr. Digre** said he would comment in writing to the **Chairman** in early course.

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Mr. Stove-Lorentzen reported on the **sale & purchase market**, advising that this sector of the broking industry was suffering similar conditions as those in the dry and tanker markets. There had been downward pressure on prices and the number of enquiries for new-building bulk carriers had fallen significantly. There was also concern at the possibility that IMO may relax somewhat its demands in terms of age limits for tankers, with a consequent reduction in demand for replacement vessels. September 11th had not yet had a measurable effect on the S&P market but there

were major concerns for the future of world trade.

At the request of the **Chairman, Mr. Georgopoulos** spoke briefly about the conditions in Greece. He started by thanking the **Chairman** for inviting Greece to join the Advisory Panel. He then reported that Greek brokers covered all areas of the shipping market and were therefore well placed to comment on current trends. He said the introduction of the ISM Code had a major effect on the small coasting vessel fleet by virtue of many vessels being unable to comply with the requirements. There was also concern at the number of Greek owners being targeted by port state control inspections by virtue of their vessels being registered under flags of convenience.

The downturn in trade has affected the Greek owning community and redundant vessels are currently being scrapped rather than laid-up. Greek brokers have recently seen an increase in activity, particularly in liquid bulk operations and also sale & purchase of passenger vessels. Finally, the removal of cabotage from the inter-island trade will lead to operators ordering new tonnage.

6. “NORGRAIN SOUTH 2000” Update

Mr. Winger, on behalf of ASBA, advised delegates that a copy of the new charter form, together with explanatory notes, had been sent to a number of major grain trading and broking houses for their information and comment. Regrettably whilst a number had acknowledged receipt, none had yet commented. Furthermore, it is understood that the charterparty has not yet been used commercially. It was therefore suggested that some form of follow up, perhaps through personal visits, would be necessary. He said ASBA would continue to lead the marketing effort but suggested some increased effort would be required.

Mr. Larsen, for BIMCO, said that organisation was looking at a number of options for the introduction of a new general-purpose grain charter and had already consulted with the trade, from whom it had received some useful feedback. The next meeting would take place in November.

The **Chairman** asked **Mr. Larsen** why ASBA or FONASBA had not been involved in the discussions. **Mr. Larsen** said he would have to check with the chairman of the steering committee in that regard and would revert. The meeting felt that it would be useful to have a FONASBA representative on that Committee were it possible. Again, **Mr. Larsen** said he would take the request up with the Committee Chairman.

7. CMI – FONASBA Representative

In view of the discussion of the current CMI consultation on the Hague Visby and Hamburg Rules under agenda item 13, the **Chairman** just notified the meeting that **Mr. Smith** had been appointed FONASBA representative to the organisation’s Sub-Committee on Transport Law.

8. Shipbroking and the Internet – Discussion Forum

A paper, prepared by **Mr. Smith**, had been circulated to all associations. The paper covered current developments in electronic trading and communications and asked delegates to consider the impact these developments would make in the future. After a brief introduction, **Mr. Smith** asked delegates for comment.

A number of delegates commented that they had seen demonstrations of, or had themselves used, a number of the on-line broking services. In most cases, it was felt that they had a limited future in those areas of repetitive trading such as contracts for bulk minerals and bulk liquids but for most other areas the inability to replicate a broker’s range of contacts and knowledge of his market prevented the new systems from competing. It was agreed by most delegates that the human element, including specialist knowledge of vessels and markets and the ability to negotiate on dates,

cargo sizes, alternative load-ports would ensure that the need for brokers would continue for the foreseeable future. A number of delegates also expressed concerns at the lack of control of information placed on websites or trading platforms and also the need to ensure the posted information was updated immediately.

The impact of e-mail was also discussed and the overall opinion was that as a means of transmitting large documents quickly and efficiently it was unrivalled. The downside was ability to transmit orders and information to large numbers of recipients quickly and easily and this had removed the need to target that information to the correct recipient. As result, brokers regularly received large numbers of orders that were of no interest to them, and in some cases for vessels or trades they did not cover. Information overload, and the need to scan each incoming message in case it contained useful information, was therefore an increasing problem.

The debate concluded with a round-up of views from national associations. In most cases associations fully supported the view that there would continue to be a need for brokers and that in due course the impact of the internet on shipbroking could be limited to very simple shipbroking services.

9. Consolidation in the Shipbroking Industry – Discussion Forum

The **Chairman** opened this short debate by stating that the shipping industry was undergoing a period of consolidation and she asked delegates for their views on this trend.

For the US, **Mr. Winger** said that cargo interests dominated the market and as a result most mergers usually resulted in one broker losing business. Obviously this affected small brokers more than the larger firms and the outcome was a reduction in the number of brokers operating in the market.

Picking up this theme, **Mr. Wood** said that whilst consolidation amongst charterers kept rates up, the downside was that power was being concentrated in the hands of the large brokers.

Mr. Corrias said that in Italy the increasing power of the large firms, and their continuing need for more staff, was making it very difficult for smaller firms to attract and retain good brokers.

Summing up the discussion, **Mr. Stove-Lorentzen** said that fewer and larger principals would result in fewer and larger broking companies and that this trend would have a significant impact on the broking business.

10. BIMCO Documentary Committee

The **Chairman** asked **Mr. Smith** to report on the BIMCO Meeting held in Beijing in May and asked **Mr. Larsen** of BIMCO to comment on the forthcoming meeting in Copenhagen in November.

Mr. Smith said that he had represented both FONASBA and ITIC at the Beijing meeting, where a number of documents had been discussed. He also reminded delegates of the failure to secure approval of the revised Standard Liner & General Agency Agreement.

Turning to the November Copenhagen meeting, **Mr. Larsen** said that five BIMCO documents would be under discussion, as would the latest version of the SL&GAA. He gave details of the BIMCO documents - BARECON 89, BALTIME, SALESCRAP 87, FUELCON and BOXTIME - to be discussed and also mentioned the new Standard Mediation Clause which he said was now ready for use by lawyers and arbitrators.

Mr. Papavassiliou asked for **Mr. Larsen's** comments on the latest revisions to the SL&GAA and what the chances were of the document being approved in November.

Mr. Smith, however, advised that he had not yet been able to discuss the amendments agreed at the Liner & Port Agency Committee meeting with **Mr. Larsen** and **Mr. Lafranca** but advised he would do so immediately after the meeting. **Mr. Larsen** said that he had been very surprised that the previous version had not been approved in Beijing but added that he looked forward to reviewing the latest version.

Mr. Smith asked **Mr. Good** if he wished to comment. **Mr. Good** said that he too hoped that the latest revisions would satisfy the BIMCO Committee but added that if they did not then FONASBA would have to go ahead and publish the document without.

11. Intertanko Documentary Meeting

At the request of the **Chairman**, **Mr. Digre** reported on the recent meeting. He said that the main area of concern for Intertanko members were the additional costs being imposed as a result of the actions on September 11th. He said these included significant increases in war risk insurance premiums plus extra crew costs, port and berthing delays. Intertanko was endeavouring on behalf of its members to bring some commercial order to these matters.

He also briefly mentioned the Intertanko Freight and Demurrage Information Pool - which had been established to assist owners to secure settlement of the income due - and also the new guide to tanker chartering that had just been published. Finally he advised Intertanko was effecting a major upgrade of its website in order to provide more information to members.

12. Shipping Documents on the Internet

The **Chairman** asked **Mr. Larsen** to give a brief introduction to BIMCO's Internet Document Editing Application (IDEA). **Mr. Larsen** advised that this application, available through the BIMCO website, allowed users to purchase, download and edit BIMCO approved documents. He said that an annual subscription allowed for a set number of calls to the site, which was regularly updated as new documents became available. Asked if the facility would be expended to include other, non-BIMCO documents, **Mr. Larsen** said that the present intention was that only BIMCO documents and BIMCO approved documents would be included but this was always an option for future consideration. At present there were 23 documents on the system and more will follow in due course.

An information sheet on the application was circulated to delegates.

13. Hague Visby and Hamburg Rules

The **Chairman** asked **Mr. Smith**, as FONASBA representative to the CMI, to advise the meeting of the latest developments in the CMI investigations into these and other maritime legislation. He said that the CMI was currently undertaking reviews into Marine Cargo Liability Regimes and Matters of Shipping Law and in both cases the existing liability rules were included. Consultation papers in respect of both reviews had been circulated and FONASBA, BIMCO and the Institute of Chartered Shipbrokers. Last year FONASBA endorsed the Institute's response on Marine Cargo Liability Regimes and would be asked to do so again for the recently issued paper on Matters of Shipping Law.

Mr. Smith said that both consultations had proposed major changes to carrier's liability regimes and it was therefore important that FONASBA is seen to comment. Both investigations would continue for some time to come and therefore no changes to the present regimes would be introduced in the short term.

Mr. Larsen said that BIMCO had also responded and would be keeping the issues under review. He said it was felt necessary to take every opportunity to comment on the proposals and encouraged FONASBA to do likewise. One area of concern for BIMCO was the proposal to withdraw protection for actions resulting from error of navigation and it was confirmed that the ICS response had also called for the retention of protection in this regard.

The meeting was advised that the FONASBA Executive Committee had endorsed the Institute response and that a vote on FONASBA doing so would be taken at the Council Meeting.

Mr. Smith undertook to provide FONASBA members with a summary of the CMI **PGDS** investigations.

14. Any Other Business

There were no matters raised under this item

15. Date and Place of Next Meeting

The **Chairman** advised that the next meeting of the Committee would take place on Friday October 11th 2002 in Rio de Janeiro.

There being no further business, the Chairman brought the meeting to a close.

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