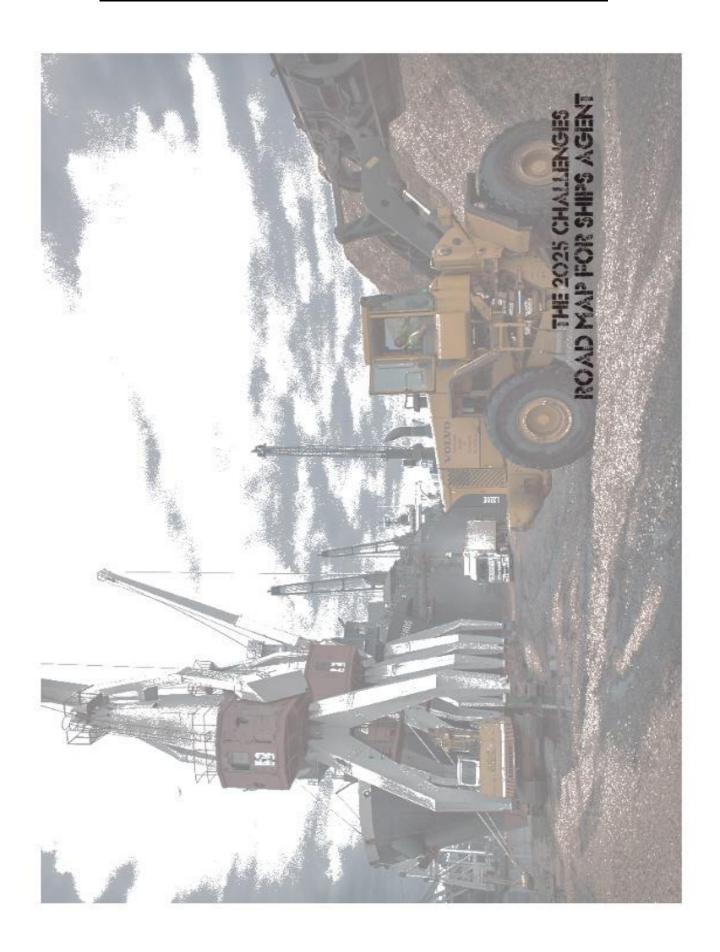
FONASBA - YOUNG SHIP AGENT OR SHIPBROKER OF THE YEAR AWARD 2018



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♣ SUBMISSION LETTER COPY

"The Shipping World in 2025 – a Road Map for shipping agent"

The times are changing as we often read and accept these facts, a world where biggest taxi firm owns no car (Uber), the world's most popular media company creates no content (Facebook), the world's most valuable retailer carries no stock (Alibaba) and the world's largest accommodation provider owns no property (Airbnb), lead us to the question of knowing if we are prepared for changes in our core business, taking into consideration what happened with former top leading companies (Blockbuster, Kodak, Nokia and so many others) that didn't adjust and adapt to the developing competitive landscape. We could be saying (as fans of the Game of Thrones) that the Winter is coming.

Following the studies provided by the esteemed co-workers on previous editions, much knowledge was passed on to all readers leaving me this opportunity to share what is my personal view for the challenges till 2025 in our core business and draw this road map. Considering our history, and even before anticipating the future, we must understand where we stand and if we're prepared for changes. During this study, I'll propose to show readers the impact of generations X, Y and Z, the exponential technology change, the opportunities that ecommerce brings to our activity, the incoming challenges with pop up platforms related with port cost management, the risk of take overs, mergers or joint ventures, the Principals relocation worldwide and change of their strategies, the Human-automation collaboration and, very simply how work can be reimagined.... Taking a close look into our activity in the last 30 years we have seen more (and more profound) changes taking place in the last 5 years than in the 25 years before... and now, with globalization and speed of implementation, the awareness that the smallest change today causes a great effect on the day tomorrow.

We are living in a constant emerging world, full of disruption and despite moving towards paperless processes we still see many inefficiencies impacting our teams and resources and making them spend more and more time inside offices with relentless administration work, losing the eyes and focus on the market as well as business development opportunities. Same as the vessels were not made to be moored in a port, our agency staff should not to be held closed in one office.

93% of all world trade is presently handled by the global shipping industry, passing through our hands and making us a key component of the value-added chain. When work is carried well and basic goals are achieved, we don't bother to review the process or change the way we do it until someone does it better. We should continuously challenge ourselves to review our workflow for a better sustainable future of our business. We should search our own internal disruption as well as continuous improvement to keep our leading key position on this value chain.

This is my challenge with this paper.

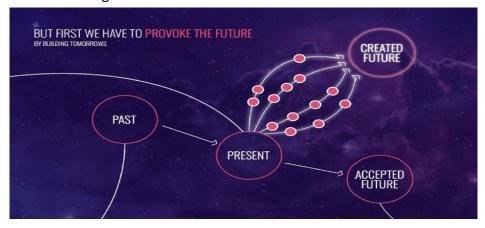
Date: 06th February 2018 Author: Filipe Miguel Dias Martins

♣ Introduction

My name is Filipe Miguel Martins, born and raised in Oporto, North Portugal, 39 years old and proud to have been given the opportunity to do this paper and still be considered young. Working in Navex (an ETE Group Company and largest Portuguese Shipping agency) since December 1999, with 18 years' experience performing several functions and tasks from regular liner services to port operations departments, I am now the Operations Manager for all vessels under our agency in Leixões and Viana Castelo ports as well as commercial development responsible for project cargoes and major accounts.

Considering that, for financial reasons, I had to start working early in my career and I do not possess a university decree, I write down this paper based in my experience and knowledge, sharing my points of view and some facts about the challenges that our activity provides presently and will be facing in near future. 2025 is only 7 years ahead – which changes can happen during this period? Believe they are many and for sure some of them unforeseen right now. For this reason, I'll start sharing with you a link related to presentation video from Kalmar "Port 2060 - Vision for sustainable future of cargo handling — Will this be the future? Still a long way to go, but things are changing fast enhanced by innovation and technology, and for this reason we must start more than ever to be prepared for the smallest change.

As we all learn in school, if we connect 2 points straight with a line, we will create a vector that can guideline us the path that we're pursuing for each of our organizations – meaning that if we understand our past and know our present we will be able to anticipate our future, always a blank page ready to be written by our todays decisions – better we make the right ones!



Hope that you enjoy this paper as much as I did while writing it. Please feel free to reach me with your opinions through my contacts at the end — would be great to take the opportunity to exchange thoughts and ideas so that we may all learn something out and embrace what the future will bring us, whatever it may be.

IMPACT OF GENERATIONS: OUR WORKING TEAMS

"Each generation imagines itself to be more intelligent than the one that went before it, and wiser than the one that comes after it." George Orwell

Our core business, and the way we do it, is changing – our organizations need to become more boundary-less, lighter, flexible, dynamic, diverse, global and transparent and for this reason our teams are the most important assets. When the outcome of our work is good, achieving the results and goals wanted, we never invest time to see if something could be improved, never listen our own teams for feedback or improvements as long as business is running as planned. When something, somehow fails, we blame someone or something... and keep going forward in the path we have always been following. The question is, why do we satisfy ourselves when we have the capacity to improve and do even greater and better things... why satisfy ourselves with cotton when we can have silk? In my point of view, if we want to be prepared for the forthcoming challenges on this digital competitive world, ready to be part of "The fourth industrial revolution", that will in fact change how we do business – just to have a glance on it, suggest a brief look to Joe Kaeser, President and Chief Executive Officer, Siemens AG article dated January 2018, with his view on how companies must adapt - I suggest that we start focusing on our people, our teams and our leadership on a disrupted mindset for our work, becoming more than ever organized, structured and doing it on new ways. Same as long jump runner, just need to give one little step back to have that kicker for the extra "mile"...

To achieve this purpose, we should provide our teams continuous resources, education, trust, authority and responsibility to make change and innovation happen. As reference, this white paper may give you some lights on how to do it "<u>Leadership</u>, <u>Disrupted - How to Prepare Yourself to Lead in a Disruptive World</u>", dated last January 2018 by Joseph Press and Thomas Goh (Center for Creative Leadership).

While we can always trust in organizations such as <u>FONASBA</u>, <u>ITIC</u> and <u>BIMCO</u> to grant us some support to achieve this goal, I strongly believe that we could always benefit

from additional and more specialized courses, for example related with project and heavy lift cargo and on issues such as lifting, stowage and lashing – it would be great to have mutual collaboration with some of the carriers through their Supercargos and an opportunity to have feedback on their needs and requirements under our Agency – same could be applied on other shipping markets.

Considering the values and culture behind each generation, which are our own organizations standards for both leadership and teams? Mostly, at present times, we can generically define as 6 different generations, each one with their own strengths and weaknesses. Here's a rough idea as <u>follow</u>:



The present "Millennials" and "Generation Z" are the ones ruling next years, dominating the internet, conference presentations, research papers and eventually sales and marketing strategies.

Characteristics	Maturists (pre-1945)	Baby Boomers (1945-1960)	Generation X (1961-1980)	Generation Y (1981-1995)	Generation Z (Born after 1995)	
Formative experiences	Second World War Rationing Fixed-gender roles Rock 'n' Roll Nuclear families Defined gender roles — particularly for women	Cold War Post-War boom "Swinging Sottes" Apollo Moon landings Youth culture Woodstock Family-orientated Rise of the teenager	End of Cold War Fall of Berlin Wall Reagan / Gorbachev Thatcherism Live Ald Introduction of first PC Early mobile technology Latch-key kids; rising levels of divorce	9/11 terrorist attacks PlayStation Social media Invasion of Iraq Reality TV Google Earth Clastonbury	Economic downturn Global warming Global focus Mobile devices Energy crisis Arab Spring Produce own media Cloud computing Wiki-leaks	
Percentage in U.K. workforce*	3%	33%	35%	29%	Currently employed in either part-time jobs or new apprenticeships	
Aspiration	Home ownership	Job security	Work-life balance	Freedom and flexibility	Security and stability	
Attitude toward technology	Largely disengaged	Early information technology (IT) adaptors	Digital Immigrants	Digital Natives	"Technoholics" – entirely dependen on IT; limited grasp of alternatives	
Attitude toward career	Organisational — careers		Early "portfolio" careers — loyal to profession, not necessarily to employer Digital entrepreneu work "with" organisa not "for"			
Signature product	Automobile	Television	Personal Computer	Tablet/Smart Phone	Google glass, graphene, nano-computing, 3-D printing, driverless cars	
Communication media	Formal letter	Telephone	E-mail and text message	SMS C Text or social media	Hand-held (or integrated into clothing) communication devices	
Communication preference	Face-to-face	Face-to-face ideally, but telephone or e-mail if required	Text messaging or e-mail	Online and mobile (text messaging)	Facetime	
Preference when making financial decisions	Face-to-face meetings	Face-to-face ideally, but increasingly will go online	Online — would prefer face-to-face if time permitting	Face-to-face	Solutions will be digitally crowd-sourced	

Basically, most of the managers in our industry are still "Baby Boomers" or "Gen X", with the youngest – still fewer in numbers - from "Gen Y". When hiring, most of the times the preference is given to "Gen Z", more than ever theoretically well prepared, focused in efficiency and multi-tasking, satisfied with less salaries and valuating the experience of their first professional work. For sure, this can be an added value to every organization despite the high risk that in the medium term they will fail in the needed commitment levels and even to be in the same company for more than 5 years – the most expensive recruitment is the one made to replace someone who could have stayed – All their acquired experience will be lost and transferred to our competitor or another industry that is willing to pay higher salaries or even provide other career opportunities in line with their university education and professional ambitions, leaving a problem to be solved. Additionally, the effect can be even worse, when by the saddest casualties someone of the most experienced employees is taken away suddenly, as unfortunately happened while writing this paper – Will all be missing Mr. João Geraldes from our Sines Office.

If we want to understand better any organization, we should analyze how its own employees are treated, valued and taken care of - we can buy state of the art technology, have the best office conditions and location, can even hire the best leadership in the world - but we're unable to buy a long term committed and solid team, healthy but ambitiously challenging work environment, allowing to overpass all adversities.



"Your most important assets aren't your clients; its your loyal employees. If you take care of your employees, they will take care of your clients."

For me this is, in the short term one of the hardest challenges. How to be able to motivate our team – present and future – transfer the knowledge and experience learned from previous generations "Baby Boomers" or "Gen X" while maintaining the commitment in the long term and avoiding one growing gap in key managerial and technical positions.

In what concerns leadership, there are no natural born leaders – The true extraordinary leadership comes from passion for what you do and love – From the teams we're building today will be creating our leaders for tomorrow.

<u>Mark Fritz</u>, a world class leadership speaker and mentor to many business leaders, shared some practical techniques to help leaders achieve top performance from their teams, naming it the "<u>OWN IT!</u>" methodology:

O means Outcomes > Speak in the language of achievement;

W means Why > Share the emotional fuel for ownership and achievement;

N means Nifo > Nose in, Fingers out, Let your people decide the how;

I means Individual > You are in show business, be the right role model;

T means Team > Encourage strong collaboration to drive team ownership;

! means Change > If an organization is not changing, it is going backwards;

In conclusion to this topic, we should all try and encourage the desire to have all the employees within our organization motivated, sharing the same view and making substantial difference in the forthcoming years, innovating and creating daily an added value to our organizations.

EXPONENTIAL TECHNOLOGY CHANGE

"Technology changes all the time; Human nature, hardly ever." Evgeny Morozov

Technology, as the world that surround us, is in constant movement and change. Sometimes, the time that we lose waiting for the next "train", takes our competitiveness away, and suddenly, we're already behind.

In our business, I believe that most of us is not taking correct and full advantage of existing technology starting with the use of most common software applications (Word, Excel, PowerPoint, Outlook, or other similar) or even from our custom made software for CRM/ invoicing/ management (like Softship or similar) — we all know how to use it in their most basic and "user friendly" functions, but certainly not taking full advantage. For example, MS Excel has almost unlimited capacity for data analysis like "Power Pivot" as well as a full set of add-ons to create dashboards that most of us rarely use and, whenever needed, we ask any of our companions from Generation Z to give us a hand, isn't that right?

We're still, most often, issuing our usual standard docs (SOF, Mate's, Bl's, NOR) manually and/or using Word/ Excel, despite in many cases we have to go through it again doing the same on other applications like Port administration, E-custom's, Principal's own application or others...and thank god for Logistics Single Window, despite still a long way to go it brought to many of us a good set of advantages, in my point of view.

So, how are we willing to embrace tomorrow's technology if we are still not updated and making a satisfactory utilization with today's? How we are going to be prepared for working in a paperless and high-speed environment, use 3D printing, AI (Artificial Intelligence), Augmented Reality, Autonomous vehicles, Big data, Blockchains, DLT (Distributed Ledger Technology), DXP (Digital experience Platform), Drones, Facial recognition on security, Hyperloop, IoT (Internet of Things), Machine Learning, Mixed Reality, Non tripulated vessels, Robots, Virtual Reality, ... all that is coming and soon. Are we even aware about the potential and possibilities of same within our business? For

example, we all know what is AIS and the benefits that we have when searching on free or paid web sites for the latest position of one particular vessel – but there are still many ports or regions with low coverage – ever imagine yourself to install in your location an AIS antenna from one of many providers and beneficiate of payed services for free and keep tracking more closely all passing vessels as well as ETA with more accuracy? In my company we did so, and the return of investment was higher than expected.

For this and many other reasons, we should be conscious and more open minded, willing to learn more and more ... knowledge is never too much, and in shipping we're always learning something... usually in the hard way.

When you start understanding the potential use of present and developing technology, you may start to have a clear picture on how you can improve your business and be more well prepared for the upcoming challenges. For instance, create own applications via web or mobile devices to approach customers, develop work methodology and generally, create added value tasks in our daily work – something that I'm very proud to be part of and have full support within my organization. For you to have a better picture, we've develop internally an own in-house software that monitors all vessels under our agency since receiving nomination till finalizing port DA (total 2.103 port calls during 2017), we named it "Vessel@Port" being now a registered trademark. It also creates all

related supporting documents as well as analytic reports per call/ department/ period, whenever wanted. We're now able to have all kinds of data analyses at the distance of just some clicks, no matter when or where... an added value to our business. And this is the way to go towards the future...

The awareness of present potential technology and the way it is being developed, can lead us to innovate in our way of work and expand full potential.



♣ E-COMMERCE OPPORTUNITIES

"If you double the number of experiments you do per year you're going to double your inventiveness." Jeff Bezos

The world is getting smaller and borders are progressively blurring. More than ever, we're all connected and living more and more in a digital era - Even the so called "things" that we daily use are connected between each other by the so called "lot". How often do you receive notifications on your smart phone, requesting feedback from a place you have visited, adds you have seen, number of steps that you've made...all other sorts of info, that ourselves don't even consciously remember from our daily life. All this info is used for marketing purposes in one way or the other. In our business, we're daily bombed with spam messages, newsletters, network invitations... and we reach the point of having the idea that it will be useless to do the same, a complete waste of time. Nevertheless, this can be a powerful tool if used professionally and wisely, to marketing your products and services, reaching new clients – just imagine that, given your area of so called "inland" you're able to fix 0,1% of new business, and be considered as service provider for another 1%, same could be called a success. At the worst it can work out just for the publicity.

Additionally, the number of networks in our line of business is increasing and most of them, despite the fees, can bring us some quite interesting commercial activity. Same happens with new developing marketplaces, like Shipnext. All happens by being connected. The worse that we can do is do nothing — It is certain that this way of doing and developing business will be increasing during next years. Despite hand shake and eye contact is invaluable and irreplaceable to create a sound and enhance a business relationship, all first commercial steps start by email, web or social media - The old-school way to do business is getting out of fashion and without giving us the results wished anymore. Nowadays we chat easily via WhatsApp, LinkedIn, Skype and few other similar tools reaching a wider audience but at same time, allowing for a better customization. On the days to come, and more than ever, all opportunities to develop

our business should be taken in consideration and used wisely – if we spoil any opportunity to do so, our competitor will take it, and for this reason we must always be one step ahead.

INCOMING CHALLENGES WITH POP UP PLATFORMS (PORT COST MANAGEMENT)

"Obstacles are those frightful things you see when you take your eyes off your goal."

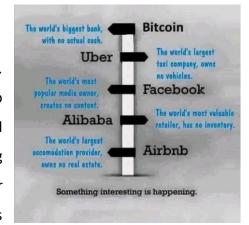
Henry Ford

As Shipping Agencies, how often do we have to work with Port DA management companies or HUB agencies? How much time is lost explaining port tariffs and calculations while, refusing compulsory costs, struggling to save pennies and placing us enormous set of pages with instructions, clauses and obligations so that we may attend the port call while we should be dedicating and focus our full attention to the cargo and vessel? We are almost obliged to accept this "imposed" contracts despite sometimes not agreeing with some terms or even not being the usual practice within our port or country. Considering that these companies have often close ties with most of our principals and expanding their activity, we should take special attention on the nomination received and the guaranties to recover outstanding balances when due – sure that some of us still remembers what happened with <u>OW Bunker</u> – a well reputed bunker trader that suddenly went bankrupt, leaving owner's and petrochemical companies with quite some losses – in this case, it would be us.

Sometimes, to gain this kind of business (agency nomination) we have to propose squeezed fees to a point that no return is left for investments or, worst, when working only for the costs – It's a decision and risk that each of us in our organizations need to consider and decide – but of course, business is business and we're living in a world that is getting every day more competitive or with additional intermediates, all struggling to

lower costs and still earn money.

We're already seeing carriers owning no vessels...
At some point, will be seeing agent's owning no offices or any presence at designated port – would this be possible? Yes, it is and we're already seeing it happen most frequently under Hub agents or tenders process just focusing on the price. This is



bound to increase during next years in number and volume. At some time, will be seeing "low cost agency services" near us – impossible in shipping is nothing.

For some this may be frightening but others seen as exciting and challenging to take opportunities of new business.

RISK OF TAKE OVERS, MERGERS OR JOINT VENTURES

"The biggest risk is not taking any risk... In a world that changing really quickly, the only strategy that is guaranteed to fail is not taking risks." Mark Zuckerberg

We can't be physically present in all ports without additional high investment costs, and as you know, without having enough business to support running costs this will not even make sense. Even so, from time to time we're asked by our Principals to support some spot business being necessary to respond in order not to give opportunities to our competitors that are always close and ready to be cheaper, even without profit just to earn extra business. For this reason it would make sense to evaluate some joint ventures or mutual agreements with other parties – two are stronger than one – with main focus to add some range of activity or at least not to lose market. This is the pursuit of synergies.

Alternatively, take-overs or buying participations can also be good investments as long as it brings new clients, business and experience – and always be careful as sometimes the predator becomes the prey.

Considering the container carriers, basis the latest mergers and take overs, as per

Alphaliner charts, the top 15 combined share of the global container ship capacity grew by 12,6% in the last year and equal's now 85,1%. Remind you that: "APM-Maersk" includes Maersk Line, Hamburg Süd (incl. Aliança and CCNI), Safmarine, MCC-Transport and Seago Line; "MSC" includes WEC Lines; "CMA CGM Group" includes CMA CGM, APL, ANL, Cheng Lie Navigation Co, Feeder Associate System, Cagema, MacAndrews, OPDR, Mercosul Line, CoMaNav and SoFraNa; "COSCO Shipping" integrates the former CSCL-operated fleet (with affiliates Shanghai Puhai Shipping Co (SPS) and Golden Sea Shipping (GSS)) and includes Shanghai Pan Asia Shipping; And this chart is

Capacity operated by carriers

Capacities in Mteu	2017	2018
APM-Maersk	3,27	4,15
MSC	2,84	3,15
CMA CGM Group	2.13	2.51
COSCO Shipping	1,62	1,80
Hapag-Lloyd/UASC	1,48	1,55
Evergreen	0,99	1,06
OOCL	0,58	0,69
Yang Ming	0,57	0.59
MOL	0,50	0.58
NYK Line	0,52	0.56
PIL	0,37	0,38
Zim	0,31	0,37
Hyundai M.M.	0,46	0.35
K Line	0,35	0,34
Wan Hai	0.22	0.24
APM-Maersk acquired	Hambur	g Súd
CMA CGM Group acqu	ired NO	L-APL
Hapag-Lloyd marged v		

still not taking in consideration the new company "ONE", a joint venture of Kawasaki Kisen Kaisha, Ltd. (K" Line"), Mitsui O.S.K. Lines, Ltd ("MOL"), and Nippon Yusen Kabushiki Kaisha ("NYK") that started business operations last April, 2018 and went straight to became the 6th largest in the top container carrier ranking with share of 7,1%.

In regards to the Multipurpose segment, here is a <u>list of top 10</u> operators basis total DWT capacity - THORCO, under the brand "Thorco Projects", combined since December 2016 a total 61 multipurpose vessels in a new joint venture with ships from, among others, bankrupt Flinter Group and Abis Shipping — since beginning 2018, just added

about 10 more vessels.

ZEABORN Group was only established in 2013, and in 2017 performed a takeover of the business operations and the international organization

Dwt	Multipurpose	Existing fleet				On Order			
Ran k	Operator 1/2018	Ships	Total dwt	ØDwt	ØAge	Ships	Total dwt	ØDwt	Share
1	Cosco SSC	64	1,758,000	27,500	2009	1	38,000	37,600	2%
2	BBC	146	1,675,000	11,500	2009	1	13,000	12,500	1%
3	Spliethoff	48	778,000	16,200	2005	6	108,000	18,000	14%
4	Thorco	48	754,000	15,700	2010	12	20	172	12
5	Zeaborn	42	636,000	15,100	2006				
6	AAL	21	629,000	30,000	2011		20	-	1.2
7	Chipolbrok	20	622,000	31,100	2010	-		-	
8	Intermarine	43	485,000	11,300	2008	14	157,000	11,200	32%
9	MACS	13	405,000	31,100	2006	- 12	-		-
10	PACC Line	15	394,000	26,200	2007	-			-
2018	Top 10 Multipurpose	460	8,136,000	17,70 0	2008	22	315,000	14,30 0	4%

of Rickmers-Linie, including NPC Projects. MACS Hamburg acquired Hugo Stinnes – all running on top 10. And once that shipping is always under development and changing fast, just last May 29th Intermarine announced a joint venture with Zeaborn creating a new company Zeamarine with more than 75 vessels presently operating and expecting to exceed 100 vessels till end 2018.

Last year has been quite eventful as we have seen quite frequently the merging, take overs, selling out, emerging of new companies or joint ventures in shipping business with, organizations feeling the need to become more competitive with better services - it's a matter of time to start seeing the same in our Agency line of business.

♣ PRINCIPALS RELOCATION WORLDWIDE AND CHANGE OF THEIR STRATEGIES

"In this digital age, it doesn't really matter if you are in Canary Wharf or the Caribbean; there are opportunities waiting to be grasped by entrepreneurs." Richard Branson

As stated, we live in a world that is getting every day more connected. Just for being in the other side of the planet, we don't lose the sight out from business. Being close to market players and decision makers can make a huge difference in gaining market share. Just while writing this paper, seen a lot of this:

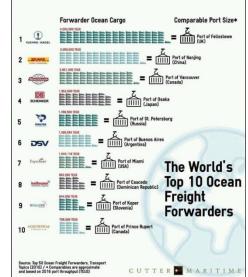
Ocean7 opens Bangkok office; Combilift launches Monaghan global headquarters; Hapag-Lloyd develops Tema base; AAL strengthens European footprint; Intermarine appoints Argentinian agent; etc, etc, etc...

Being the carriers so active commercially and being closer on the markets, we may have an extra opportunity to secure new representations or consolidate present ones – who better than us can provide necessary support in our ports, knows the rules and practices?

The forwarding activity is also increasing, and major players are becoming stronger,

delivering to client several additional services and advantages like multimodal transport and "door to door" service, being in a unique position to be disruptors — To have better picture, the forwarder "Kuehne + Nagel International AG" deals more cargo than the port of Felixstowe, as per "The top 10 Ocean freight Forwarders".

The most tech-savvy freight forwarders are already engaging with blockchain platforms - Agility with IBM-



Maersk, Panalpina joined the Blockchain in Transport Alliance (BiTA) and Temasek Holdings's tie up with Kuehne + Nagel.... using this technology to leverage and establish

trust between two trading parties, eliminating the need of third-parties, like brokers or intermediaries, bringing more efficiency, transparency, costs reduction, tracking more closely any orders and assets as well as many other benefits.

So, from the service provider side our Principals are always moving and positioning closer to the cargo – we are not, nevertheless we're the ones with more experience in each of our own markets and for this reason we're the ones creating an added advantage – we should consider taking more value from this.

HUMAN-AUTOMATION COLLABORATION

"Technology is nothing. What's important is that you have a faith in people, that they're basically good and smart, and if you give them tools, they'll do wonderful things with them." <u>Steve Jobs</u>

What is the meaning of "Human-Automation" and how are we able to apply this concept in our line of work? Only we, as humans can treat vessels as ladies, getting them in and out of our ports, even against some adversities. Automation does not mean humans will be replaced, and I believe it will be, mostly, quite the opposite once that humans are constantly asked to interact with the automation systems and all controls.

"Artificial intelligence (AI), the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings." Encyclopedia Britannica

So, if it can be automated, we must improve what we can to automate it, continuously seeking digitization to eradicate repetitive unproductive work, and reduce errors that mostly arise from human manual intervention - "40% of time spent on sales activities can now be automated by AI technologies that already exist" McKinsey Global Institute

With the increased development of drones, we will be able to provide faster, cheaper services and assistance to vessels while on sea, port roads or alongside delivering spares, provisions or whatever needed. Can you even imagine boarding pilots or perform crew changes requesting the UBER services? <u>Just take a look</u>.

Did you ever consider to view and analyze which are the benefits of <u>3D printers</u>, having the possibility to easily print out the most complex pieces or spares by demand of any owner or technical management company? Create in advance pre-stowage plans for simulate cargo operations to client when offering or developing any project cargo? Believe this can be a quite a differentiator service.

All major technological companies in IT or automotive businesses are working, already for a long time, in <u>autonomus car.</u> If you think about it, the purpose of having an

autonomous car is not to own one, as we won't even need to buy a car but on the other end, pay for the service, like using a taxi. Are we, in shipping – already one step ahead with <u>automated ships</u> – prepared for this in each our waters?

Imagine the potential business that we would have with a hyperloop from our ports, granting a higher inland range without road restrictions...

If we would give the option, to each master while in port, the possibility to position a web cam on board in order to monitor all operations, we would know and/ or provide our Principals information "in loco" concerning vessel port stay. Just having the possibility to view vessel draft we would know the ROB and therefore calculate in advance any ETC, easy and simple to – small things makes all the difference.

We should all reflect on the latest developments and consider the impact and advantage to use this exponential technology opportunities on our daily tasks, in disruptive ways.

THE OTHER FORESEEN CHALLENGES

"As the water shapes itself to the vessel that contains it, so a wise man adapts himself to circumstances." — Chinese proverb

There are many major challenging themes to be added to the equation for the future. Some of them are just around the corner and bellow you can find some that, I believe, will take a major role in defining our short and medium-term future.

Presently, in Europe, we are already dealing with the challenges to adjust us to <u>General Data Protection Regulation (GDPR) (EU) 2016/679</u> – our present challenge is to adapt ourselves to this legal impositions.

Next 24th March 2019, new regulation (EU) 2017/352 of European Parliament and the Council shall be applied and enforced – with this, much will change in our activity (in Europe).

BREXIT: In 29th March 2019, UK is foreseen to leave European Union – for many of us, this will have a major impact on our business and for sure, will be challenging to overpass.

If we take in consideration, only in USA the <u>list of last economic recessions</u>, since the 90's there has been one in each 10 years period that has evermore a worldwide effect – something to be taken into consideration on the forthcoming years as well. In these difficult times only the stronger and well prepared are to prevail and be able to distinguish themselves from all others.

The <u>International Chamber of Commerce (ICC)</u> is already working on the new Incoterms 2020 that should be in practice in the last quarter of 2019 – There will be some changes with the removal of EXW, DDP and FAS incoterms.

Latest by 2020, all <u>customs procedures</u> in European Union should be paperless and this will be compulsory latest in 2025.

As we all know with effect from 01/01/2020, new lower global cap on sulphur emissions will be in place. This will provide many changes on regular lines, new routes, change of HUB ports, new vessels, higher costs to principals – challenges already been accepted and overpassed with some preparation in the last years. This will create an whole new business with its core in LPG, being necessary to develop conditions in ports, transport to satisfy bunkers needs – a new opportunity. Other opportunities will certainly follow related to this situation and should be monitored closely.

10 years have passed since freight rates in the dry bulk sector began another downturn, coinciding with the global financial crisis. The most historic low was on last January 2016 and if we look on <u>Baltic Dry Bulk Index (BDI)</u>, the rates are still hovering below 1999 levels. With the low Sulphur limitations expected for 2020, bunkers costs will increase and consequently, also sea freight. This will certainly result in our services to be pressed to lower all fees and related costs – pressure will, once again, be high on our side – since I started my career in shipping, in 1999, I always heard principals complaining on low freights and this is a fact that will not be changed.

If we consider the latest UNCTAD (United Nations Conference on Trade and Development) "Review of Maritime Transport – 2017", we can make out a few other conclusions on challenges to come, like the world fleet growth is decelerating by the fifth consecutive year. New shipbuilding contracted 1,7% in 2016 while ship scrapping increased 25.7% same year – At the beginning of 2017, the average age of commercial fleet was 20.6 years, being in a slight increasing trend. Our organizations still need to take a close attention on sex gender equality in salaries and career.

While the times passes, there will always be opportunities passing us by and seeking our attention, such as big projects, ports expansion, dredging, off shores projects, business development... we just need to pay more attention of what surround us, usually is from small projects that we start thinking something bigger – "Shoot for the moon. Even if you miss, you'll land among the stars." Norman Vincent Peale

HOW WORK CAN BE REIMAGINED

"The time to repair the roof is when the sun is shining." John F. Kennedy

Shipping is all about relationships and will always be a traditional industry - Agency and Shipbrokerage will always be a part of it. In my humble opinion, our organizations must continually improve the services offered and become even more well prepared for smallest challenges or changes – the acute awareness of what surround us makes all the difference and our motivated teams are certainly the most important resources to achieve this purpose.

When Uber was founded in 2009, it was created with the idea to reduce the costs by sharing – there was no lack of taxi services on offer. Initially the service was even 1.5 times more expensive than a normal taxi. But market accepted openly this new service. We all had a Nokia phone, the best at that time, or even went to a Blockbuster... and nowadays, despite the importance that the service had, the market discontinued the need of this kind of services and gave preference to others. These same ideas apply to our business. Our market is evolving and changing - shipping is shipping but our market is demanding different services: some operators prefers quality, others low prices, others value the difference or immediate answers to particular needs. Each one of us must always do the best possible work to achieve Principal's satisfaction, but we all must innovate, not necessarily completely changing, but improve the work carried out. We are still too much attached to the usual way something has always been done – believe that disrupted thinking in our line of business would create an added valor to most services by innovating or being more cost effective.

In Portugal we have a saying that there's a thousand ways to prepare codfish, and it's always good. So, having this in mind, for sure we can always consider one other way to try something different in our business – it is up to each one in our own organizations to think if would gain any benefit with changes or how this could impact working teams.

CONCLUSION

"The journey of a thousand miles begins with one step." Lao Tzu

In our core business, we don't build or create anything – we provide and offer an added value service to our customers, based on our experience, knowledge, work processes and corporate culture. For this reason, I've tried during this paper to do the same, sharing some of what I've been learning, my knowledge and some personal views of the main challenges our organizations will face in the immediate future.

Overcoming challenges, either internal or external, is what we do for a living. The history of our industry tells us that we will be facing and overcoming them doesn't matter how problematic and challenging they are. The question now is that everything is happening at an increased speed and we may not start to enjoy the ride – when we see a challenge or opportunity it could be already late to take any measure or advantage of it. Additionally, there are more than ever, external factors that we can't anticipate or have any control.

It is my belief that during the next 2 years one of our main goals should be to invest in our own organizations to, irrespective of all external factors, consolidate and motivate our teams for the 2020 turnaround. As the wind, things may change quickly and in opposite ways and for this reason being optimist or pessimist doesn't get us nowhere — we should be realistic and adjust the sails starting within our organizations and teams.

The dices from my side are thrown. Hope that you enjoyed this small paper. Much more was left to write about, but I leave it for you to think and hopefully develop when together at FONASBA Annual Meeting, next October 16th – 21th, 2018 at Cancún, Mexico.

Finally I would like to leave you with a small challenge on your patience and perseverance in order to achieve one impossible thing: Just pick up a fresh egg from your refrigerator and on a flat table try to stand it up on end, without any kind of

support, boil it or put salt under – just try to leave it stand up on the table. Strongly suggest you to try it and mail me the result thru this <u>link</u> (email: filipe.miguel@navex.pt with subject line: "THE 2025 CHALLENGES - ROAD MAP FOR SHIPS AGENT – EGG CHALLENGE") – as stated, on Shipping, impossible is nothing it's just a matter of willing.

"It is not the mountain we conquer but ourselves." Edmund Hillary

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