



## SHIP AGENCY PLENARY WEBINAR "SHIP AGENCY IN THE TIME OF COVID"

*Moderator: Waldemar Rocha jnr., Committee Chair*

### *Presentations:*

"Keeping Agents Safe Onboard" Gustav Jakobsen, CEO, Schultz Shipping, Jesper Sebbelin  
FICS, Chief Adviser, Danish Shipbrokers and Port Operators

"Future Proofing Your Agency Business" Evangelos Efstathiou, CEO, Skysail Advisors

"The Empty Box Problem" Antonio Belmar da Costa, Executive Director, AGEPOR

"Cruising - into the Future" Antonio Belmar da Costa

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### Schultz Shipping at a glance by Gustav Jakobsen, CEO



**DANISH SHIPBROKERS  
AND PORT OPERATORS**

#### **STS**

We offer Ship-to-Ship solutions and we handle both tank and dry bulk.



#### **Agency services in Denmark, Germany, Poland and Sweden**

Our experienced agents are very familiar with local knowledge, and offer 24-hour agency all year around.

#### **Customs**

Our customs-department is specifically trained and educated and very professional. Our personnel are train to use manifest, EMCS and ICS systems. Holds official AEO certification from authorities.

#### **Grain terminal operator and Stevedoring**

Our stevedoring consists of very competent staff, who always have good knowledge of any operation.

#### **Storage**

We have more than 90.000m2 under-roof warehouses available and a bulk capacity of more than 600.000 ton and loading equipment for 1000to +/-hour.

#### **Chartering dry/tank**

One of the main characteristics of Schultz Shipping is that our ship brokers are known as very competitive. That is one of the reasons why they will always find the best solution for you.

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**"Keeping Agents Safe on Board" – A new perspective on how to ensure the safety of ship agents during a pandemic**



DANISH SHIPBROKERS  
AND PORT OPERATORS



**The role and duties of the ship agents':**

- Service port calls
- Administrative support
- Husbandry services
- Connection with Authorities and legislation
- Contact to ship, crew, charterer, shippers and stevedores and port administrations

**Ship agents' competitiveness:**

- Local experience, knowhow and network
- Digitalisation
- 24-7-365 availability
- Physical visibility
- Add on services to port agency

**Human factor:**

Despite of widespread distance clearance in times of pandemic, ship agents' play a paramount role with a physical appearance. Ship agents' must adapt to the new norm by "Keeping Agents Safe on Board" so that the competitiveness combine digitalisation with human presence

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**Project idea and Q&A**



DANISH SHIPBROKERS  
AND PORT OPERATORS



**Suggest that FONASBA initiate a project to develop a protocol "Keeping Agents Safe on Board" to the advantage of competitiveness.**

**The protocol to be accessible to members of the national FONASBA associations as a membership benefit to ship agents.**



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# THE EMPTY BOX PROBLEM



ANTÓNIO BELMAR DA COSTA

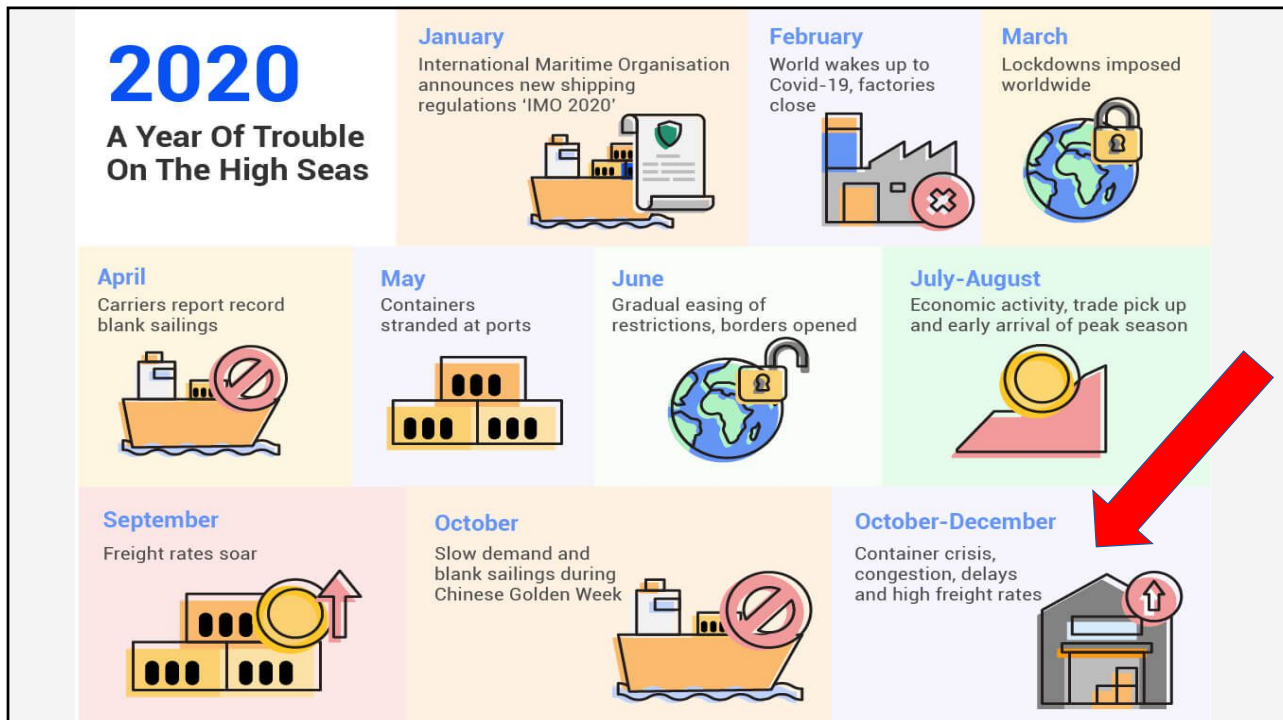
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## THE EMPTY BOX PROBLEM

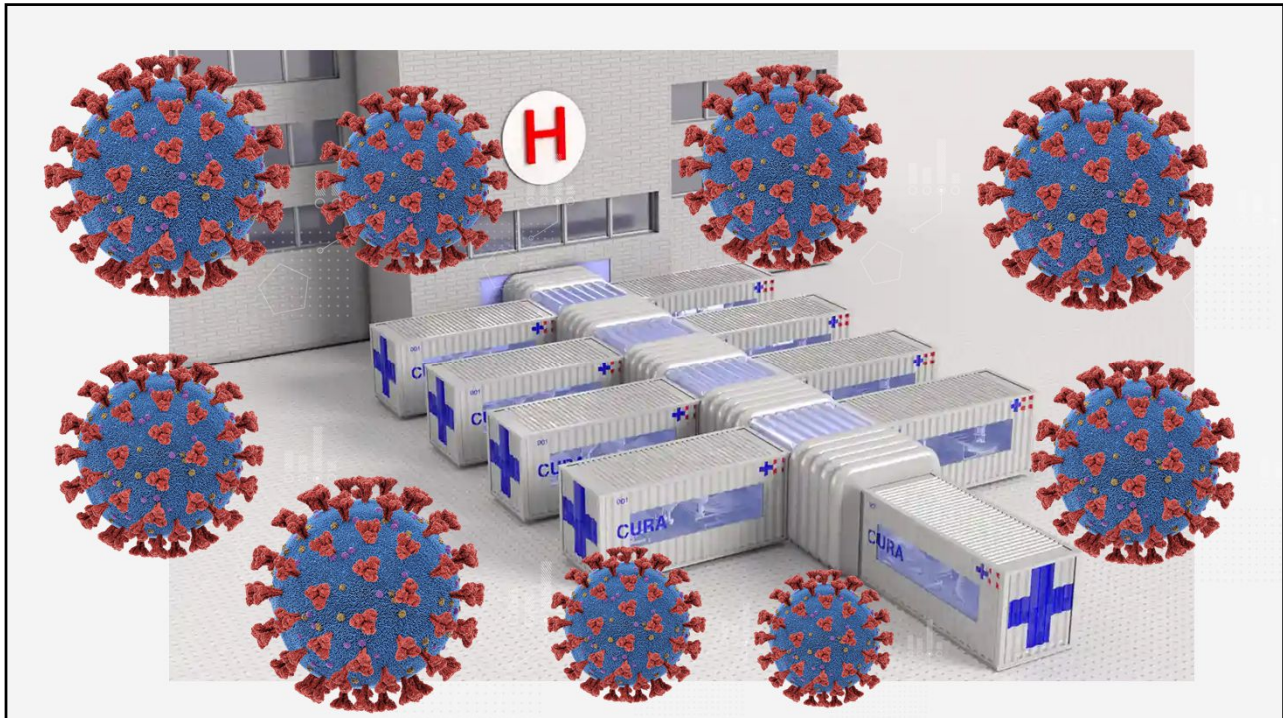
It has been an ongoing issue since the beginning of containerization. But it has gotten worse due to the rapid volume growth and regional differences. The main factors are trade imbalances and carrier-specific inefficiencies.

Equipment imbalances and empty container repositioning is a problem that typically **costs the industry \$20bn every year**, a figure likely to be much higher in 2020, adding to already stretched balance sheets for many liners with shippers braced for inevitable surcharges

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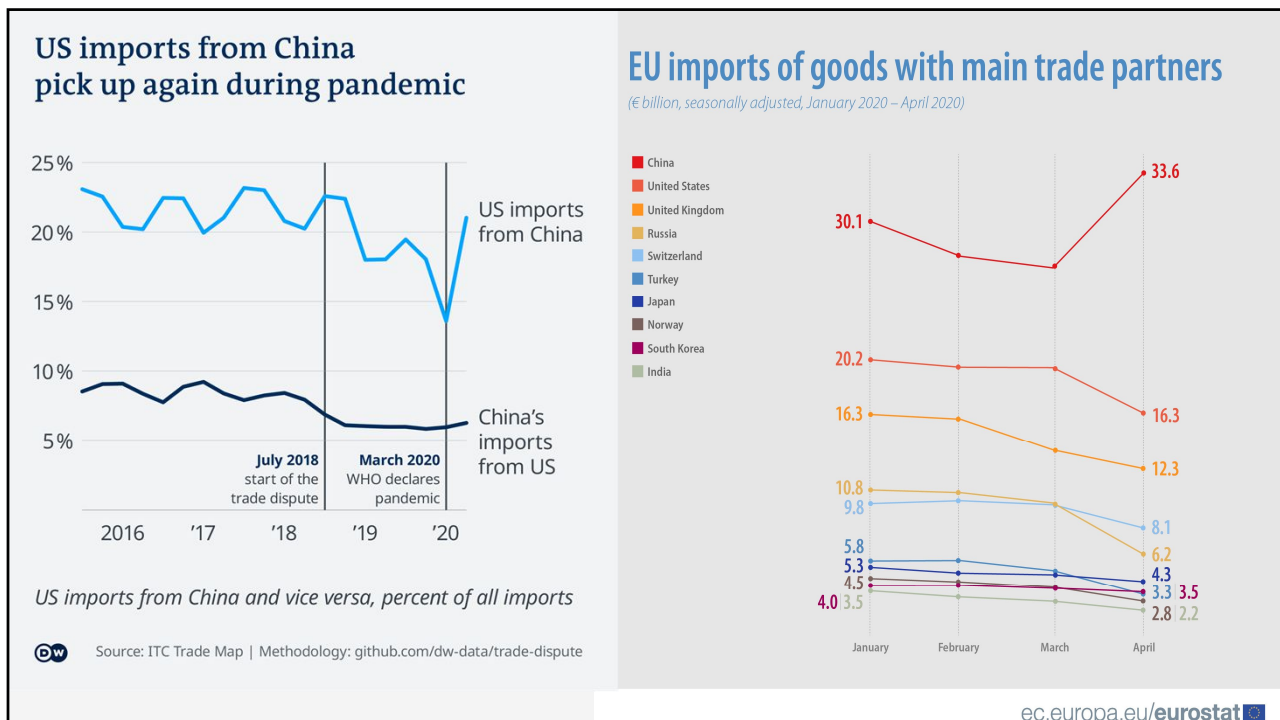
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## THE EMPTY BOX PROBLEM

In the second quarter of the year, when most countries were still in the thick of quarantines and first big waves of the virus, China's factories were resuming production and its cities were emerging from lockdown, giving the economy a much-needed boost. After recording a 6.8% GDP contraction in the first quarter year-on-year, China's economy made a sharp U-turn and returned to 3.2% growth in the second quarter. In the third quarter, China's GDP surged 4.9%.

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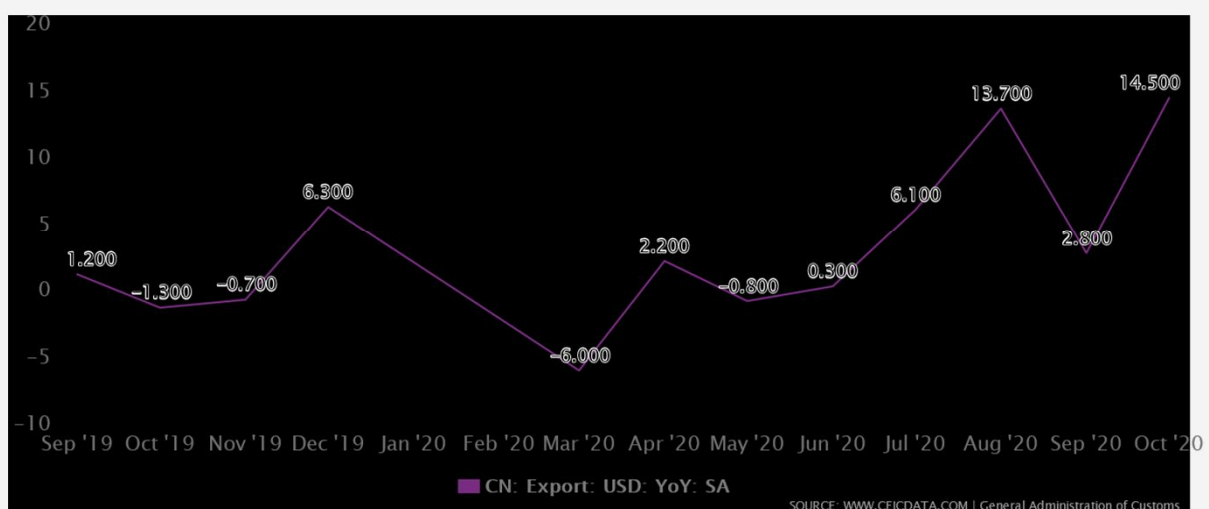
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## THE EMPTY BOX PROBLEM

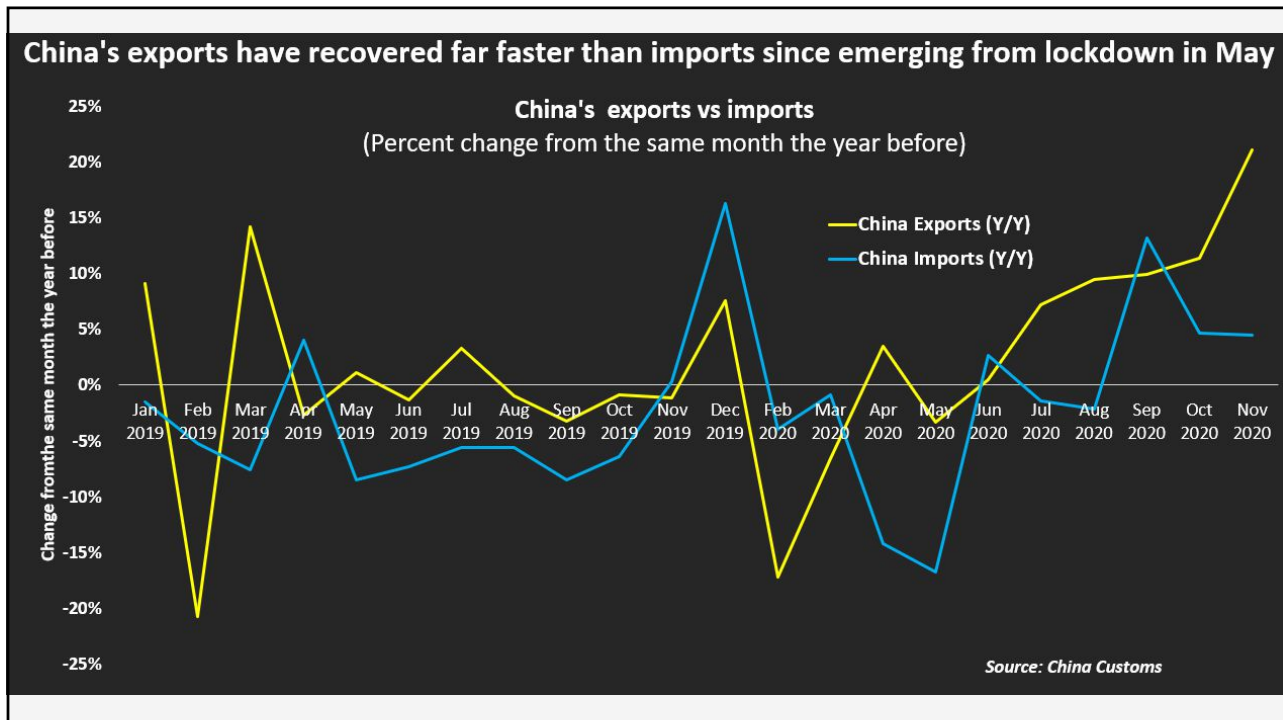
**Chinese exports** hit a record monthly high in November, rising **21.1%** versus 2019, while imports grew by just **4.5%**. This led to a giant trade surplus up **102.9%** from the same period in 2019. With imports in China well below exports, container vessels sailing foreign ports have not been able to reach full capacity. So, containers have been stacking up at yards abroad, while ports in mainland China, including Shanghai, Xiamen and Ningbo, have insufficient inventory of containers for exporters

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### CHINA EXPORTS



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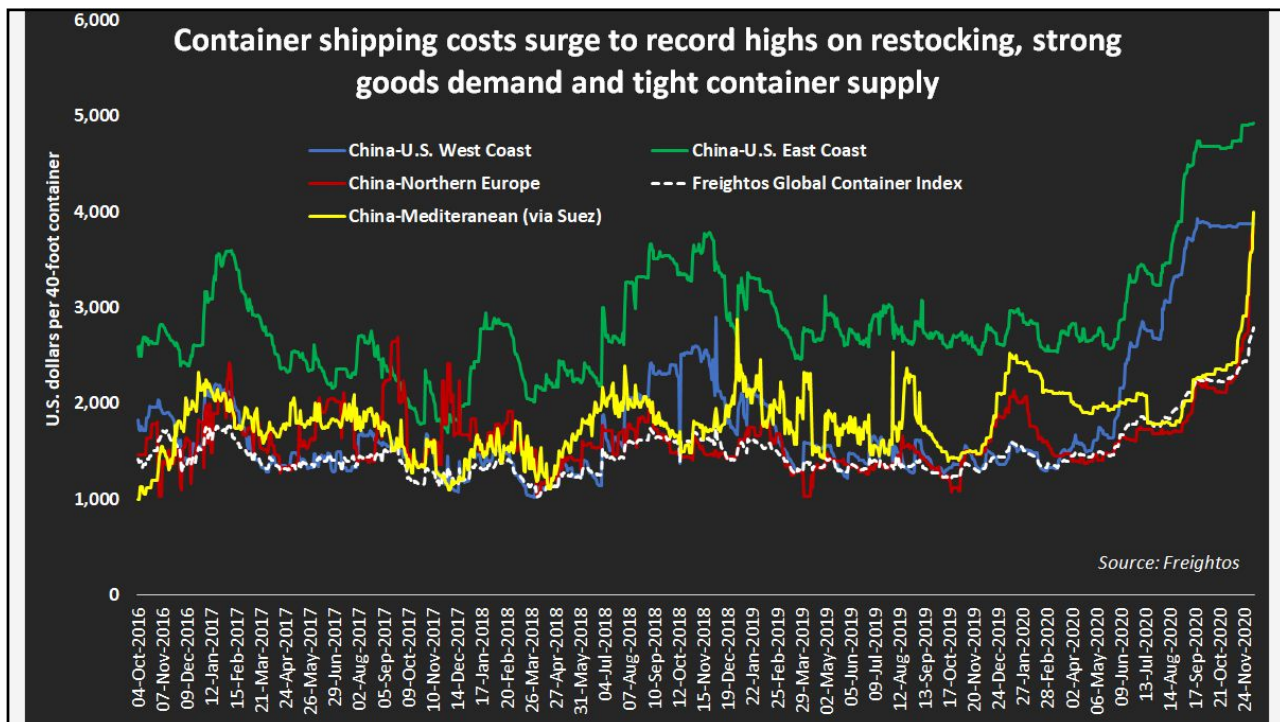


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## THE EMPTY BOX PROBLEM

The sudden enormous demand for goods by consumers in the US (and similarly in Europe) for imported goods has created an equally enormous **demand for empty containers in China and elsewhere in Asia** to ship these goods to the US and Europe. The exporters in Asia are scrambling to get empties, and they have bid up freight rates to historic levels.

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## THE EMPTY BOX PROBLEM

European and American ports have been experiencing a high surplus of empty containers.

At the same time, Asian ports face severe shortages

Ocean container lines find it more lucrative to **move empty containers back to Asia** for shipping at high rates rather than wait many days to get the containers to US exporters for eventual shipping for comparatively low pricers.

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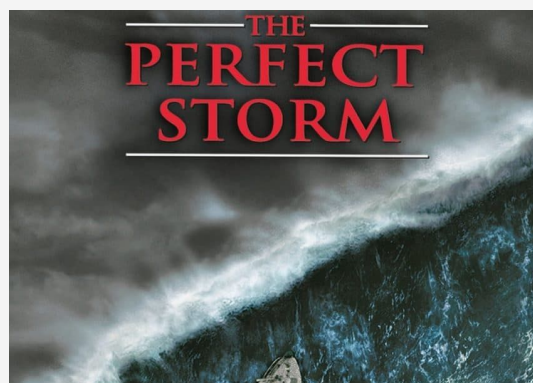
## THE EMPTY BOX PROBLEM

During the years of low freight rates, where the survival of those carriers was at stake – and some of them collapsed, such as the world's seventh largest carrier, Hanjin in 2016 – container carriers have under-invested in equipment other than buying ultra-large ships. And their investment in containers has lapsed.

Growing global trade has generated a higher demand for containers. Triton International, one of the world's largest container leasing companies, said in September that demand for containers accelerated rapidly in the third quarter of 2020, with utilisation almost at full capacity. All available dry containers got booked, and **new orders from Chinese factories are not likely to be delivered to Europe until February or March.**

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## THE EMPTY BOX PROBLEM



**What's happening right now could be viewed as a perfect storm. Ports are overloaded, there aren't enough containers and equipment to handle cargo, and freight rates have skyrocketed as a result.**

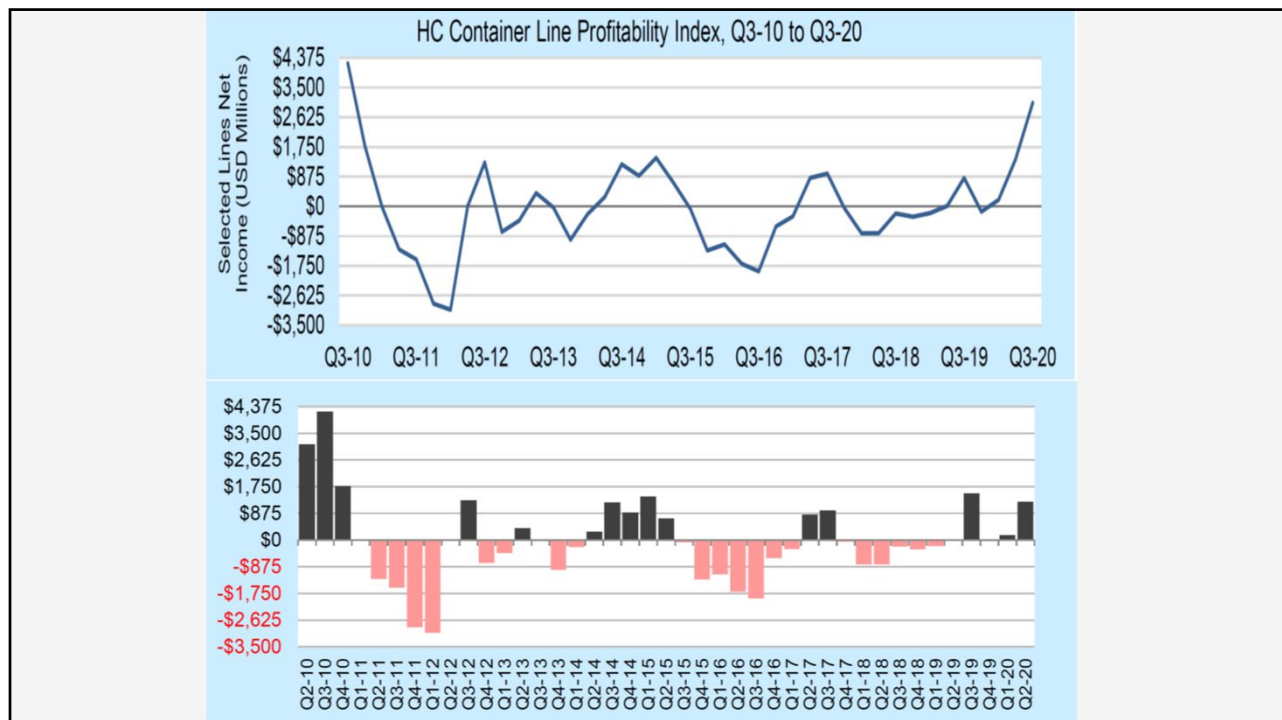
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# THE EMPTY BOX PROBLEM

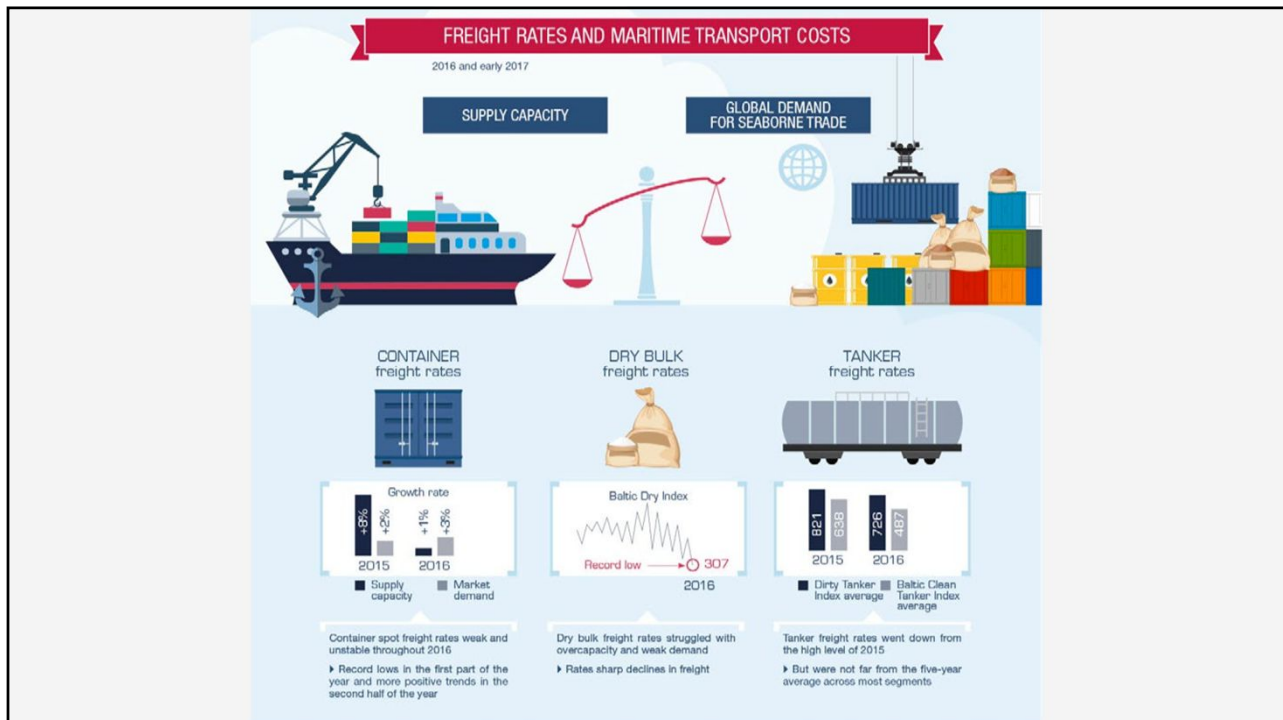
## Shippers and forwarders call on European Competition Authorities to act

European shippers and freight forwarders have once more alerted the European Commission on the current practices of liner shipper carriers as European supply chains are becoming more distorted. The associations will meet the Commission early in the new year to further demonstrate the damage carriers' behaviour is causing to trade growth at a time of economic recession...

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## THE EMPTY BOX PROBLEM

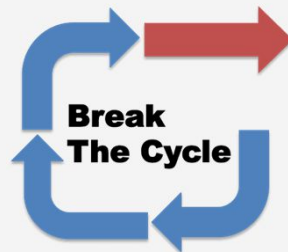
### DO WE ENVISAGE A SOLUTION IN THE SHORT TERM ?



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## THE EMPTY BOX PROBLEM

**DO WE ENVISAGE A SOLUTION IN THE SHORT TERM ?**



- INCREASE CAPACITY ?
- INCREASE PRODUCTION OF NEW CONTAINERS ?
- OTHER ?

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# SKYSAIL ADVISORS

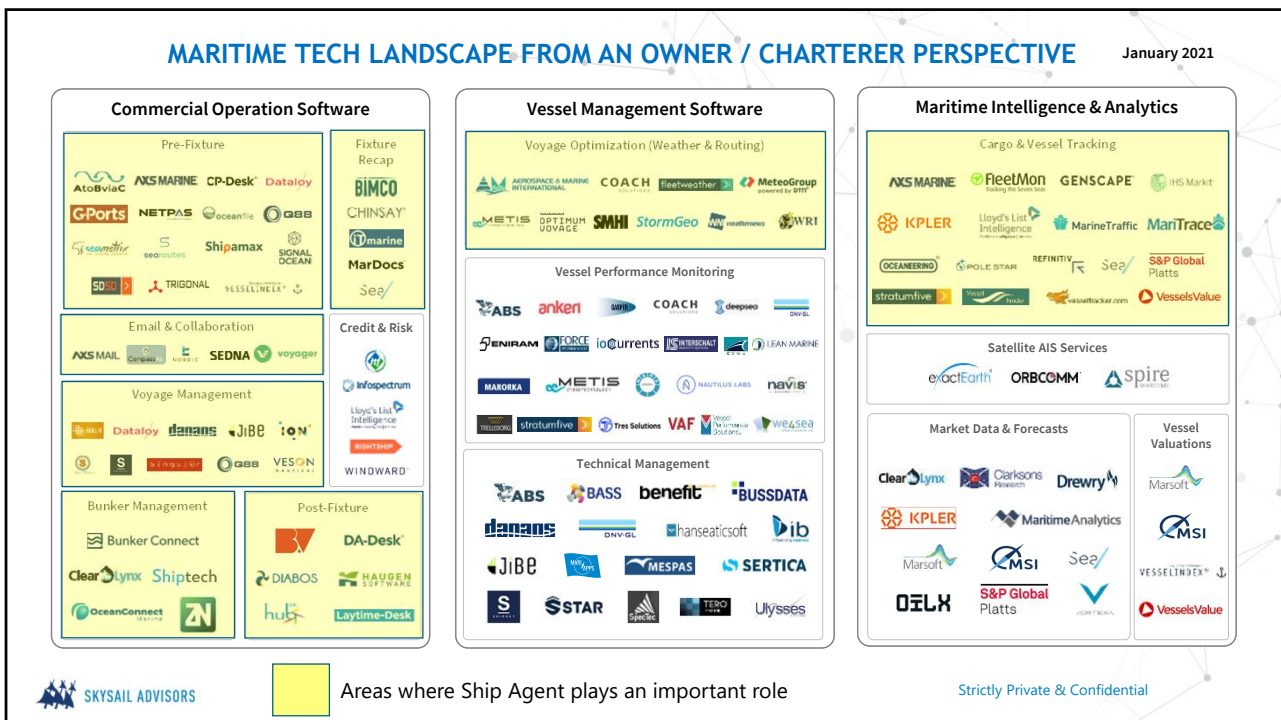
Adapt to Thrive™



**“Future Proofing” Your Agency Business:  
How Technology can Keep Agents Ahead of the Curve**

FONASBA

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## FOUR WAYS TO STAY AHEAD OF THE CURVE

### External Forces

Anticipate Tech Trends



Embrace Customer Initiatives



### Internal

Benchmark your Performance



Adopt Innovation Mindset



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## WHAT GOALS ARE DRIVING DIGITALIZATION?

Anticipate Tech Trends



Reduce Friction of Trade



Smart Ports

Increase Trade Volumes & Build Strong Supply Chains

Ship Agent

The Agent is at the nexus of maritime digitalization initiatives



Trade Ops / Execution

Increase Trading Profits

Sustainable Climate Impact

IMO 2050 & ESG

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Customers

## Embrace Customer Initiatives

### Customer Initiatives Focus on Reliability, Efficiency, Sustainability & Transparency

#### Digital Standards

Replace "person-to-person" paper-intensive processes with "machine-to-machine" information exchange

*Save manpower + save transaction costs = Reduce friction of trade*



#### Smart Ports

Efficiently plan, execute and monitor different operations and activities during a port call

*Improved coordination between shipping companies, agents, terminals and service providers improves competitiveness & reduces emissions*



A common thread across all initiatives is the role of, and impact on, the Agent

#### Trade Ops / Execution

Build a collaborative network to increase market efficiency to the benefit of all participants

*Lower operational risk, improve customer service, reduce labor intensity of trade execution and deliver better service to customers and consumers*



#### IMO 2050 & ESG

Promote decarbonization of shipping and create sustainable growth

*Adopting sustainable Environmental, Social, and Governance (ESG) policies and practices promote human and ecological well-being*



\*Examples of some of the Companies and Consortia driving Digital Initiatives are shown above

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Competitors

## Benchmark your Performance

Having a long corporate history and deep customer relationships isn't enough anymore to compete. Customers are increasingly focusing on performance and price to decide their vendors

#### Markets

Measure of your market position and dominance by port, types of cargoes and service offered

#### Experience

Years of hands-on experience

#### Key Accounts

Customer diversification, concentration risk, retention, and new customer acquisition metrics

#### Solutions

Range of agency, documentation, and additional services provided

#### Revenue Mix

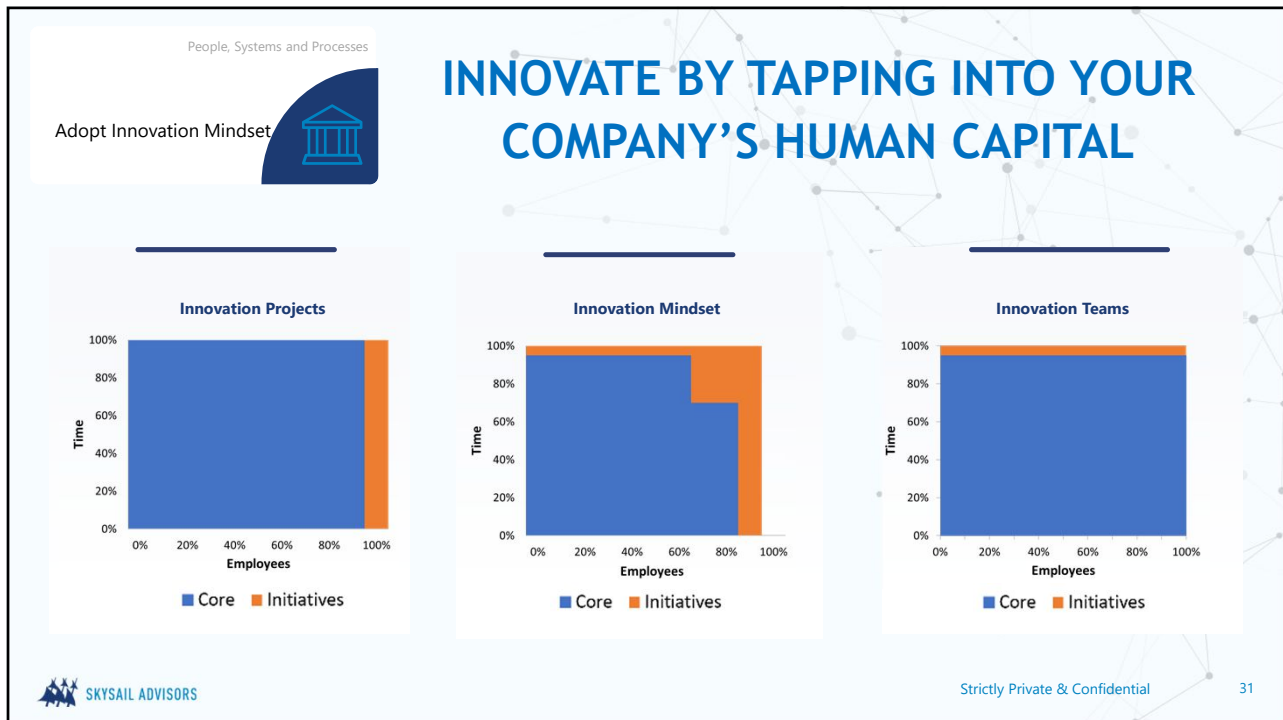
Share and volume of port calls handled compared to the competition

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# THANK YOU





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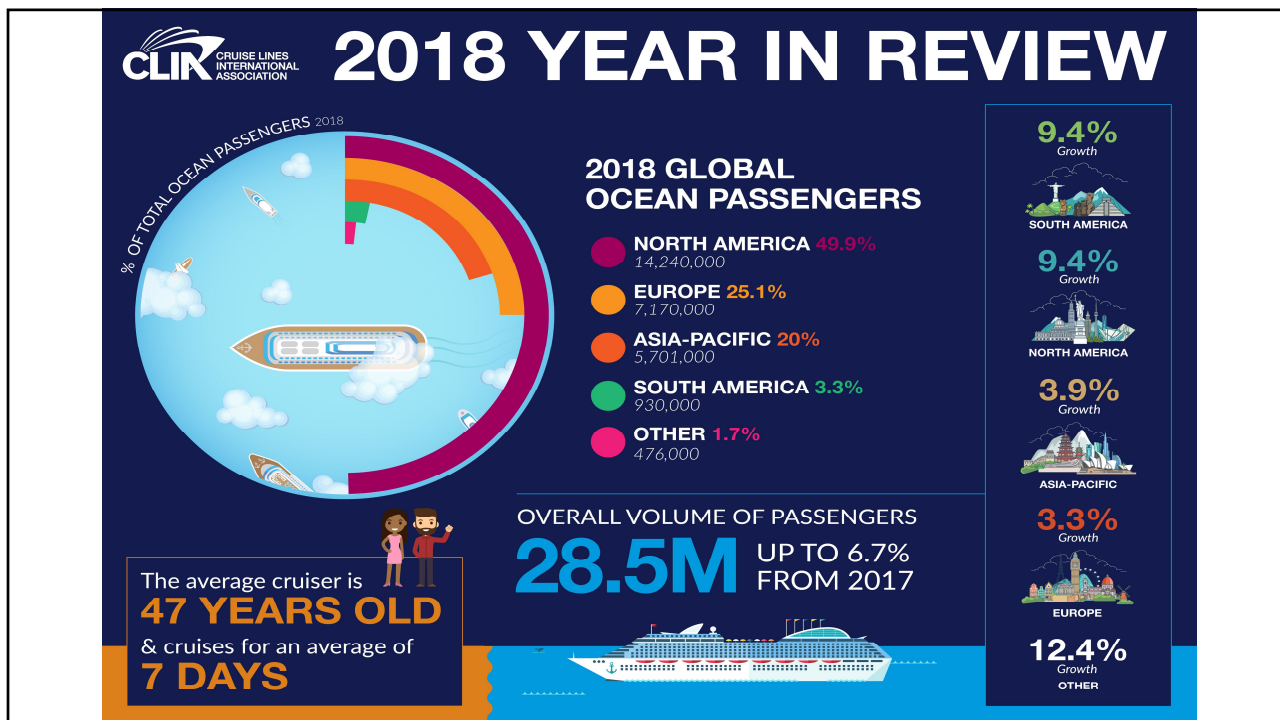
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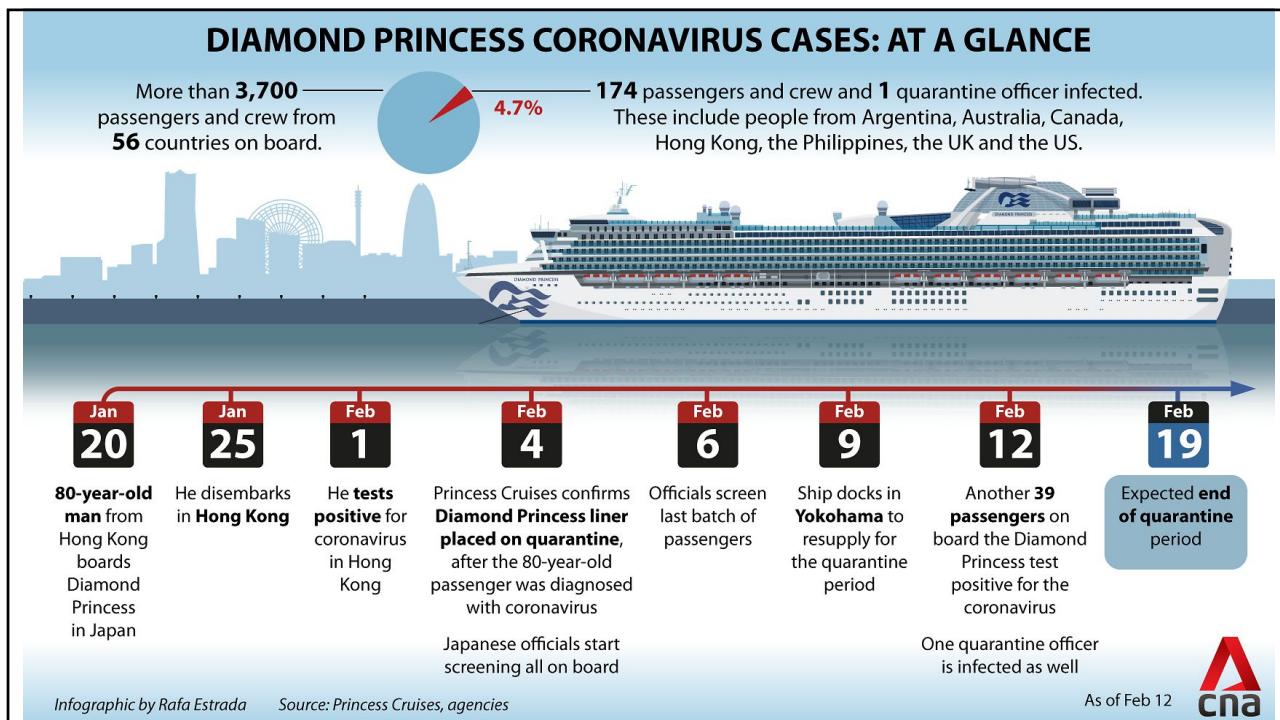


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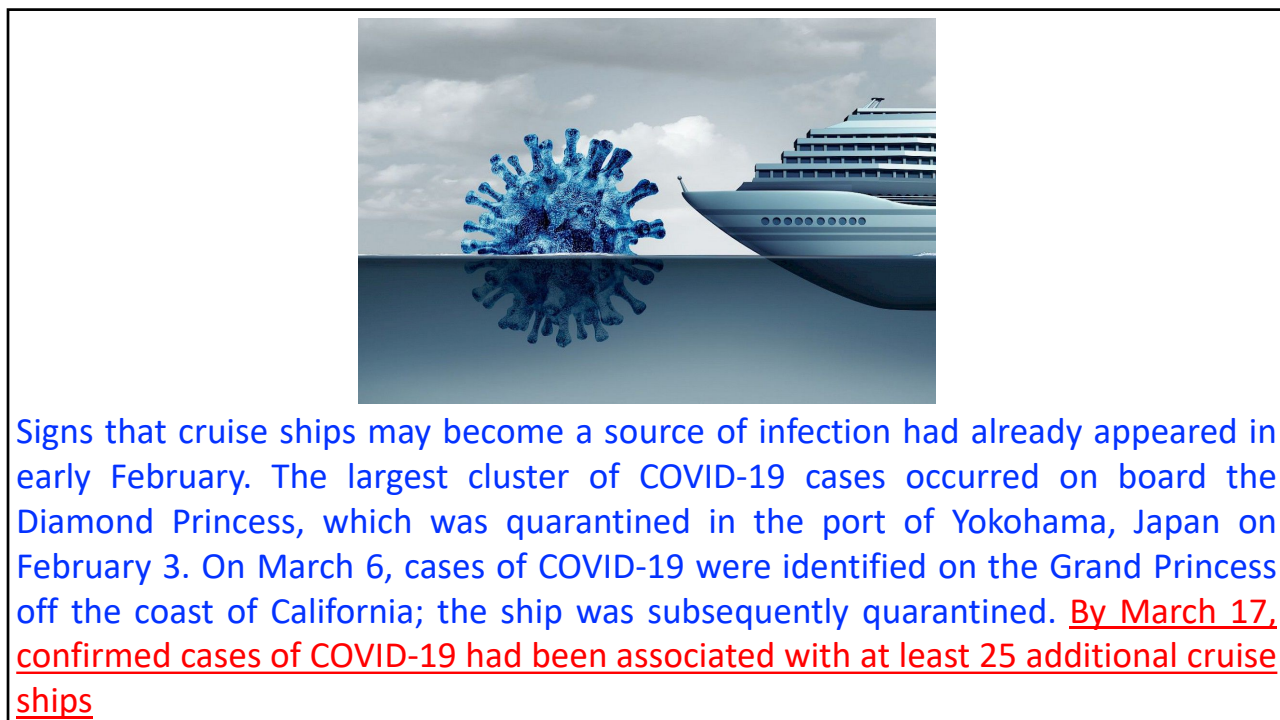
Until recently, cruises were the fastest growing sector of the travel industry. In the past five years, the demand has increased by 20.5 percent. Statistics show that in 2017 around 26.7 million people chose to go on a cruise, followed by 28.5 million in 2018 and **an estimated 32 million in 2020<sup>1</sup>**. In 2018, it was estimated that the world cruise industry is worth approximately \$150 billion.<sup>2</sup>

Newly released data shows **32 million passengers** are expected to set sail in 2020. To meet ongoing demand, CLIA Cruise Lines are scheduled to debut **19 new ocean ships** in the upcoming year, resulting in a total of **278 CLIA Cruise Line ocean ships projected to be in operation by the end of 2020**.

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## CRUISE INDUSTRY

As many countries across the globe have closed their borders in response to COVID-19, **thousands of passengers were kept at sea**, while vessels sought a port to dock. In mid-March, Canada banned all ships with more than 500 people from docking in their ports. Australia, New Zealand and the United States banned all ships arriving from foreign ports and directed all foreign flagged ships to leave the country. As an impact of this, **passengers were quarantined on board for almost a month before being repatriated**. There were numerous other examples, and while almost all of these cruise passengers are now disembarked, **many crew members are still on vessels across the world, either quarantining or manning the ship until the industry resumes operations**. Many cruise liners have and are attempting really hard to repatriate shipboard employees, but due to the stern regulations imposed by the US Centers for Disease Control and Prevention, repatriation is delayed.

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## CRUISE INDUSTRY

Survived norovirus, Sars and Mers, as well as regular outbreaks of gastroenteritis and legionnaires' disease. But coronavirus has dealt the cruise ship industry what looks like a crippling blow. The **338 ships** that make up the industry's fleet **are docked**. Carnival, the world's largest cruise company, is hemorrhaging \$1bn a month to maintain its fleet. **Governments have issued "no sail" edicts** and the majority of the **32m passengers** that the Cruise Lines International Association projected would sail this year are **stuck at home**. The halt on operations is due to last until at least August with ghostly ships marooned in harbours in what is known as "warm lay-up", where systems are kept running to make sure that none seize up. The industry — which says bookings for 2021 are almost at the same level as they were this time last year — is now looking to rebuild public trust with new health and sanitation measures.

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Colossal ships - complete with swimming pools, theatres and high-end restaurants - are now being pulled apart, as these eerie images by a Reuters photographer show.

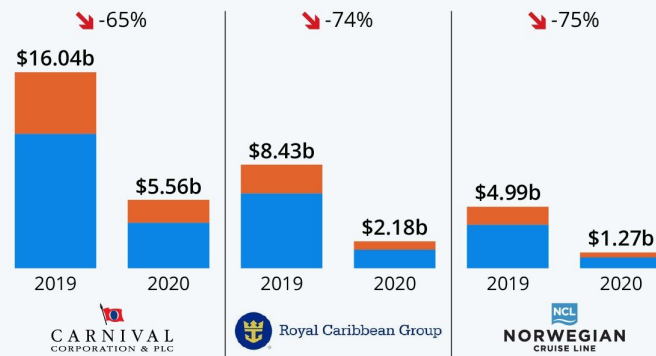


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## Cruise Industry in Troubled Waters

Revenue of the world's largest cruise line operators  
in the first nine months of 2020 vs. 2019

■ Passenger ticket revenue ■ Onboard and other revenue



Source: Company reports



statista

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# DISCOUNTS!



There is no clear timeline for cruise operations to start again. The biggest fixed cost for cruise lines is fuel, and as a result of the oil collapse during this downturn, cruise lines may benefit from these lower costs. In an effort to gain customer support after travel restrictions are lifted, companies will likely want to consider **advertising campaigns** and **reducing their prices** in order to compete and draw demand back to the industry. Cruise liners have already started to advertise huge discounts on the packages for 2021 in their websites. Additionally, the industry will need to commit to **new safety protocols that can dramatically reduce the risk of disease**.

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The Cruise Lines International Association (CLIA) released the "2021 State of the Cruise Industry Outlook" report highlighting the impact the pandemic has had on the global cruise industry, which for the most part was forced to shut down for nine months so far.

- CLIA highlighted a survey that found that **two out of three cruisers were willing to cruise within a year and 58 percent of international vacationers, who have never cruised, said they are likely to cruise in the next few years.**
- The COVID-19 pandemic immeasurably hurt countless businesses and workers when the cruise industry shut down. Just think that, in 2019, cruising sustained almost 1.2 million jobs equaling \$50.53 billion in wages and salaries and \$154.5 billion total output worldwide. In 2020, **every one percent loss of cruisers resulted in a reduction of 9,100 industry-related jobs**. Each day of the suspension caused direct and indirect industry losses of 2,500 jobs.
- The cruise industry greatly benefits port cities. Passengers spent \$385 in port cities before boarding a cruise and spend \$100 in each visiting port destination during a cruise, CLIA said.
- CLIA reports that the cruise industry hosted 29.7 million passengers worldwide in 2019. North America accounts for the highest rate of cruisers with 15.4 million passengers cruising in 2019.

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- CLIA cruise lines anticipate **16 new ocean ships in 2021**, resulting in a total of 270 CLIA ocean ships projected to be in operation by the end of next year.
- From early July through mid-December 2020, CLIA said **more than 200 sailings took place with multiple layers of enhanced [health and safety measures](#)**. “The success of these initial sailings demonstrates new protocols are working as designed — to mitigate the risk of COVID-19 among passengers, crew and the destinations cruise ships visit,” the CLIA report said.
- Cruising in the new normal will include **health protocols**, such as [crew and passenger COVID-19 testing before embarkation](#), mask-wearing, physical distancing, air management and ventilation strategies as well as enhanced medical capabilities.

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The [Cruise Lines International Association \(CLIA\)](#) released the “2021 State of the Cruise Industry Outlook” report highlighting the impact the pandemic has had on the global cruise industry, which for the most part was forced to shut down for nine months so far.

- Even as cruise lines deal with the pandemic fallout, CLIA said its members are focused on its commitment to a cleaner, more sustainable future. The report highlights the industry’s **\$23.5 billion investment in ships with new technologies and cleaner fuels to reduce carbon emissions**, partnerships with local governments in key destinations and a commitment to reduce its rate of carbon emissions by 40 percent by 2030, compared to 2008. Ships also are starting to use [liquified natural gas \(LNG\)](#), said to be a cleaner fuel.
- “2020 was a year unlike any other and I am proud of how our industry has united together to weather this unparalleled pandemic,” CLIA Chairman Adam Goldstein said. “As we look to 2021, I know that cruisers are eager to set sail once more, just as our industry is eager to put people back to work and create unforgettable experiences for our valued guests.”

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## CRUISE INDUSTRY

Looking to the future, cruise liners have sought to maintain contact and trust with their customers – with many offering refunds or credits for future bookings after the industry ground to halt in early 2020. However, the ongoing crisis has seen many sailings cancelled well into 2021, although some river cruises have been going ahead.

When the industry does restart, things are likely to look very different on board. Many in the sector are trying to promote cruise ships as the safest form of travel for the future, with coronavirus tests, social distancing and hand sanitizer making vessels a safe haven or 'bubble'. Only time will tell if it's enough to tempt customers back.

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- The hope is to have all of its ships operational by end of the year, but it is largely dependent on the CDC, testing, therapies, distribution of vaccines, etc.
- A phased resumption across their multinational brands will resume independently. The source markets by brand are detailed below:
- Costa Europe – 80% European
- AIDA – 95% German
- P&O – 98% United Kingdom
- P&O Australia – 99% Australia / New Zealand
- Carnival – 92% United States
- .

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- For the U.S. market, the timing of test cruises is TBD as they need the CDC to confirm some specific information for test sailings which are unknown at this time.
- The brands have repositioned 30 ships into U.S. waters (with 1 final ship on its way) to meet the existing CDC criteria (color rating status guide, crew quarantine, no confirmed cases of COVID-19 in the past 28 days, etc.).
- Monitoring vaccine to make the most prudent decision when the time comes as to if this will be a requirement for crew or guests

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### **Global Fleet Status**

- Carnival Corp.'s overall capacity was reduced by 13% in 2020 due to withdrawals of vessels.
- The brands created a cost reduction of 2% on unit costs, 1% in fuel consumption, plus they optimized shoreside / onboard operations further saving on the bottom line.
- With larger newbuilds in 2020 / 2021 and smaller vessels withdrawn, there will be a 2% capacity increase per year from 2019 through 2022.

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## Financial Status

- Carnival Corp. is the lowest leveraged company in the industry; with the ability to issue additional debt if necessary (\$9.5 billion cash flow at present).
- Secured financing to get through 2021 in a no-revenue scenario.
- 2024 & 2025 – delivery of only 1 ship in each of those years will help them pay down debt.
- The average cash burn rate in Q4 2020 was \$500 million / month.
- The average cash burn rate in Q1 2021 is expected to be \$600 million / month (includes restart expenditures).

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## Booking Trends

There was a 5% booking improvement in Q4 2020 over Q3 2020.

No demand challenges; good demand in all of the various cruise markets – Caribbean, Europe, Australia, World cruises, etc. – across all brands.

For the second half of 2021 bookings are within the historical range.

For the first half of 2022 bookings are ahead of 2019 bookings, which were at the high end of their historical range.

Comparable pricing is down 1% from 2019 (excluding the negative impact of FCC); this estimate does account for the fact that they are selling more bundles today (to benefit both ticket and onboard revenues).

Overall - bookings are 45% new to the brand and 55% brand loyalist.

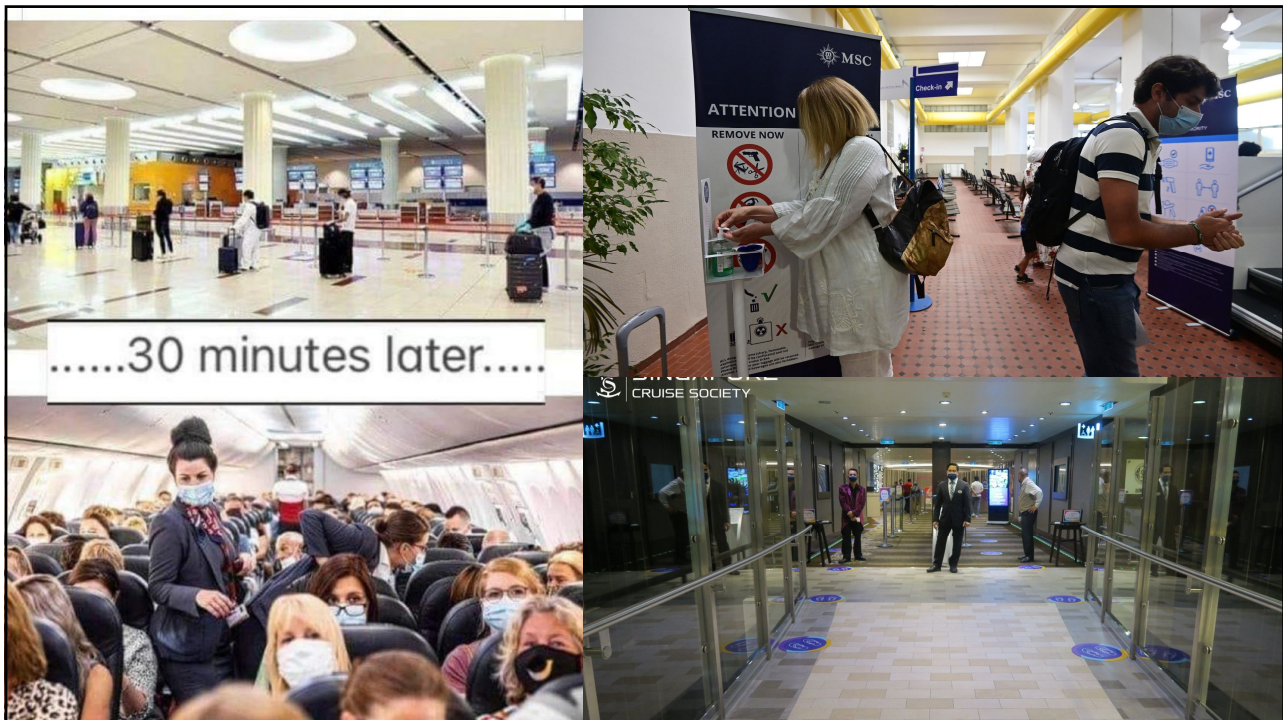
There are no significant changes in demographics of those consumers booking cruises.

No dramatic shift in bookings pre-vaccine and post-vaccine.

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Also 2021 starts under big uncertainty for the cruise business. In Italy – where MSC and Costa will sail back at the end of January – some 14.5 million passengers and 4,872 stopovers are expected this year, but **431 shipcalls have already been cancelled, with a loss of 1 million passengers.** In the US it is not yet high time for departure

The only other maritime cruise ships currently sailing in the world are those deployed in Asia.

In fact all North America's companies once again announced delays in their programs.

NCL cancelled March cruises aboard 3 ships from Miami and Port Canaveral.

Many Carnival's brands announced delays: Carnival Cruise Line cancelled all cruises through the end of March while extending the delay into April for Galveston and deferring other cruises; HAL stretched annulments too through April and delaying its Alaska program till May and June, and also Mediterranean and Canada New England programs; Princess cancelled its program till mid-May.

Many cruise ships have meanwhile returned to U.S. ports for the first time since last summer for making provisioning stops and beginning the process to meet U.S.'s CDC Centers for Disease Control's requirements to get their valid certification before they can start resuming cruises again.

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FONASBA



**THANK YOU FOR JOINING US!**

Up next:

Ship Broker Committee Plenary Webinar

“Ship Broking – The New Normal?”

Wednesday, 27<sup>th</sup> January 2021

See you there!