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Ever Given was human error but it won't happen again, says Suez Canal chair



HUMAN ERROR WAS the root cause of the grounding that blocked the Suez Canal for six days in March, but an incident of that scale will not happen again, according to the canal authority chairman Osama Rabie.

Speaking to Lloyd's List following the ceremony that saw *Ever Given* leave the canal's Bitter Lake anchorage after three months of protracted negotiations, Admiral Rabie said lessons had been learned, investments in safety and salvage infrastructure had been made, and the estimated \$550m settlement deal reached between all parties had in the end been "fair".

But ultimately he said that the vessel's grounding was down to "human error" and pointed the finger of responsibility directly at the containership's Indian master.

"It was human error of course," said Adm Rabie via a video link from his office at the Suez Canal Authority's Ismailia headquarters. "Other factors could have affected such an incident such as the wind speed, for example, but we know the wind speed was not decisive in this incident, it was the problem of the pilot, of the vessel, of the master of the vessel.

"And the final decision is always with the master of the vessel."

While the SCA's investigation report in the grounding of *Ever Given* is yet to be published, court case testimonies during proceedings between it and Shoei Kisen Kaisha, the vessel's Japanese owner, revealed a heated dispute between the two pilots on board the vessel at the time of the incident.

Recordings played in court and transcribed in a Bloomberg article revealed how, a few kilometres into *Ever Given's* transit, placed 13th in the 20-ship convoy, the 400 m long ship veered from port to starboard and back again.

The lead SCA pilot instructed the helmsman to steer hard right, then left, but when he needed to correct course again the second pilot objected and the two argued, according to the transcript of the recording heard in court.

What happened next is well documented. The banking effect of the rapid turns and increased speed saw the vessel veer out of control into the banks of the canal where it remained wedged for six days, creating a backlog of more than 400 ships and a global media storm.

Adm Rabie, however, disputes any suggestion that the pilots held any responsibility for the grounding.

“There was no discrepancy between the two pilots – everyone shared their point of view on the bridge, that is true, but I would like to stress that it is the final decision is always the master’s decision alone. The pilot gives him his point of view, he gives him guidance, but it’s up to the master if he would like to comply with it or not,” he said.

During the court case that ensued, Shoen Kisen’s legal team argued that the SCA was at fault for allowing the vessel to enter during adverse weather conditions and not providing tugs.

Adm Rabie disputes this and points out that 12 other vessels of similar size had transited northbound in the same weather with no issues, while 32 vessels had managed the passage in the opposite direction.

“In bad weather conditions the ship’s master has the authority to refuse to cross the canal and he can also ask to change the pilot at any point during the transit, which did not happen in this case,” he said.

“I want to be clear in this, it will always be the responsibility of master, he has the full responsibility for his vessel, and it’s up to him to make a call on conditions which could negatively impact his transit.”

He is tight-lipped about settlement figures, pointing out that all parties signed strict confidentiality agreements prior to finalising the deal being rubber stamped on July 7.

He said the owner had paid most of the money before the *Ever Given's* departure, and the rest was expected this month. He also said the company would fund a new tug as part of the deal – a mere fraction of the overall investment being made to upgrade salvage and rescue infrastructure in the wake of the incident.

The SCA’s old fleet of tugs with a bollard pull of 75-150 pounds were shown to be no match for *Ever Given*, so a new fleet with double the power is now being purchased, along with a new supply vessel and multi-purpose cranes that would have the capacity, according to Adm Rabie, to lighter the cargoes of any vessel in similar incidents in the future.

Given the investment and the new training being rolled out across the SCA from cadets upwards to prepare for future issues, Adm Rabie believe the Suez will not see another event like *Ever Given*.

“Actually, we’ve learned a lot from this incident and of course we need to increase our capacity and develop our capabilities... but I am confident that this incident will not happen on such a scale again,” he said.

Despite the tense three-month negotiation and court case accusations from both sides, Adm Rabie reports that relations with all parties remain professional. Asked why *Ever Given* was detained throughout the negotiations, he simply described the negotiation process as “amicable” and based on mutual respect.

A flurry of statements from the *Ever Given's* owner, manager, insurer and most other parties even vaguely associated with the incident universally praised the efforts of the SCA in bringing the matter to an efficient conclusion.

The carefully stage-managed ceremony which featured dignitaries, diplomats and company officials from around the world witness the signing of the deal, capped an episode that had proved a public relations black spot for the canal’s authorities following months of disputed statements and legal exchanges.

Describing the process that saw the SCA climb down from its initial \$900m claim for compensation to a more manageable, \$600m, Adm Rabie said that the negotiation was based on initial valuations of the vessel and its cargo.

“After the owners applied a statement with the value of the vessel closer to \$775m, well it was quite obvious to reduce the compensation amount based

on the new evaluations that we have received from the owners,” he said.

Terms of the deal were not disclosed but the estimated \$550m settlement will draw a line under what Adm Rabie described as a “marathon negotiation”.

Holding Ever Given as a bargaining chip was an error

THE normal transit time for a fully laden boxship sailing from Southeast Asia to Rotterdam is around a month. For *Ever Given*, that trip will take it nearly four.

The news that the most famous vessel on the planet right now has finally been allowed to resume its long-disrupted voyage does need to be welcomed.

But, equally, the question of how and why it took so long for this to happen does need to be asked.

From a technical viewpoint, the ship’s classification society ABS declared it fit to sail in mid-April.

But from then until yesterday, *Ever Given* remained at anchor in the Great Bitter Lake, as insurers haggled with the Suez Canal Authority over the latter’s inflated compensation demand, initially pitched north of the \$900m mark.

That was clearly what professional negotiators call highballing. Asking for more than you would be willing to settle for is negotiation tactics 101.

Nor can it be gainsaid that the Suez Canal Authority had a legitimate bill to present. It did engage in initial salvage efforts, there was physical damage to the canal, and six days’ revenue was lost, although some of that will have been made up subsequently.

But totting it all up, and assuming there are no factors which remain unknown to the public, because we still have no sight of any accident investigation report, this is nothing that \$150m or thereabouts should not have settled promptly.

Suez Canal Authority chairman Osama Rabie has described the protracted three-month negotiations as amicable and based on mutual respect with strategic partners.

That seems to jar somewhat with the tone of legal statements in the run up to the eventual agreement, but statements from the vessel’s owners, a regular customer of the canal that want to continue using

“What I can say is that the compensation is a sufficient number for the Suez Canal Authority and we have maintained our strategic relations with our clients also through this amicable solution.”

the route rather highlights who had the upper hand here.

The Suez Canal Authority probably felt it had been dealt the equivalent of at least a full house, with the ability to hang on to *Ever Given* and its cargo giving it a winning hand in the talks.

Its determination to sweeten the pot may have been bolstered by confidence that local courts would find in its favour, as they repeatedly did when the owners brought legal action seeking *Ever Given*’s release.

Had better counsel not prevailed, there was a real risk that matters would have years to resolve, with interminable litigation grinding its way up through the Egyptian court system to the benefit of none but the fee-earners at the law firms involved.

Details of the talks between the insurers and the Suez Canal Authority — not to mention the level of the settlement — remain confidential, given the sensitivities involved, and the non-disclosure agreements signed by all parties.

But we also still do not know much of the detail of the accident itself because of the absence of a publicly available accident investigation report.

It must be hoped, for the sake of avoiding precedent, that the insurers did not pay more than they justly should have done simply to secure the vessel’s release.

Meanwhile, the Suez Canal Authority should give assurances that there will be no repeat of these Texas hold ’em tactics if something like this ever happens again.

If it is to maintain the confidence of the world’s shipping industry, Egypt must show itself a reasonable interlocutor.

The full and transparent publication of accident investigation reports from all sides would also go some way to putting to rest any remaining concerns about how this incident occurred in the first place.

ANALYSIS

Greeks lead frenzied first-half secondhand buying

GREEK shipowners ran up a fivefold increase in bulk carrier purchases in the first half of 2021, according to secondhand sales recorded by Allied Shipbroking.

Weekly statistics issued by the Athens-based shipbroking house provide a snapshot on a frenzied six months from January in the sales-and-purchase market, particularly for the dry bulk and container sectors where freight earnings have reached their highest levels for many years.

Greece-based owners, who traditionally lead activity in acquiring secondhand tonnage, once again emerged as the biggest overall spenders in the market.

Allied identified them as acquiring 238 vessels for \$3.9bn. Chinese owners easily took second place according to the data, buying 192 ships for \$2.6bn during the same period.

There was a vast gulf between Greek and Chinese owners, perennially active players in the secondhand market, and Switzerland in third place.

Swiss owners were deemed to have spent \$868m on 33 vessels but the numbers largely reflect the containership spree of one company, Mediterranean Shipping Co.

Greeks meanwhile led in buying of both bulkers and tankers — and would have topped the boxship buying chart as well if not for MSC's acquisitiveness in recent months as buying vessels outright has come to seem an attractive alternative to paying soaring charter rates.

But it has been the nationality's reinvestment in the dry bulk fleet that stood out among a generally impressive set of market stats.

Allied's data showed Greeks purchased 150 bulkers for \$2.4bn in the first six months, compared with just 30 for \$396m at the same stage of last year.

They also acquired 56 tankers for about \$1.1bn, compared with 32 in the same period a year earlier.

Greek containership purchases rose from eight in the first six months of last year to 21 this year, although some sources suggest this may be an underestimation.

Overall, the broker chronicled 1,105 deals, with almost half of these being for bulkers, and aggregate spending of more than \$15.9bn on secondhand tonnage.

That is more than double the secondhand sales and spending in the first six months of 2020.

Driven by thirst for dry bulk and container tonnage, first-half S&P activity in 2021 is already approaching levels more normally seen over a full year.

Activity in the dry bulk sector showed the greatest increase in comparison with last year's first half, with sales rising from 193 to 532, while spending on bulkers more than tripled to \$7.5bn.

Despite poor conditions for tankers, spending on tankers also increased sharply from \$2.9bn in the first half of 2020 to \$5.5bn so far this year.

The first half of the year also saw an additional \$1bn spent on containerships, with Allied counting a total of 193 boxships that were sold for \$2.2bn.

While brokers have borne witness to increased activity across the shipping spectrum, behind the data there have been several companies that have been striking deals for secondhand tonnage this year on a scale rarely seen in past semesters.

Coming somewhere near the top of the league, Greece-based Costamare has acquired 15 containerships and, in a diversification from its sole focus on boxships, followed up with buying 28 bulkers — according to public announcements to date.

In terms of number of acquisitions that is double the 20 bulkers and tankers that relative newcomer Castor Maritime acquired in the year to May, a number that itself seemed astonishing at the time.

Divisions over slow steaming and the carbon market

THE World Shipping Council and environmental lobby group Transport & Environment have aired divisions over slow steaming and impending European Union green regulations.

James Corbett, the council's environmental director, said setting speed limits for ships to cut emissions would delay some decarbonisation efforts by keeping the existing fossil-fuelled fleet at sea longer.

He told a webinar that slowing speeds more than 25%, as lines have done in the past decade, did not lead to equivalent emissions cuts but reduced fleet capacity, creating a need for more or bigger ships to carry the same amount of cargo.

He called instead for measures to send a market signal strong enough to spur operational and technology changes that led to decarbonisation.

But T&E sustainable shipping officer Jacob Armstrong said further speed reductions would be "incredibly beneficial in terms of emissions reductions".

He said research by CE Delft, a consultancy, found a 10% fleet speed reduction would reduce emissions by 27% and adding the extra ships needed to do the same transport work would still yield a 19% cut.

On the EU's Emissions Trading System, Mr Corbett said the regional regulation's extraterritorial reach could become a barrier to achieving international climate goals.

The system would cover about 10,000-12,000 vessels out of a fleet of 60,000 not engaged in

regional service with the EU and risked creating "a green fleet and a brown fleet".

"An international market-based mechanism is the only way to avoid the isolation or the leakage problems that are raised when you think about the regional ETS," he said.

But Mr Armstrong said global shipping regulator the International Maritime Organization was not moving fast enough to set rules that would allow the industry to meet Paris Agreement goals.

"We've been promised by the EU that they would regulate shipping if the IMO didn't since 2002," he said. "So, for 20 years the EU has been waiting for the IMO. The time has come; we can't wait any longer and the planet can't wait any longer."

He said Europe setting regional rules would not delay green rulemaking in other parts of the world.

"There's no reason places like China couldn't also do a similar thing, and then you'd have for example a tessellation of carbon pricing mechanisms," he said.

Mr Corbett said the EU had an important role in pushing for green regulations at the IMO and the difficulty of the problem meant more hard work was needed to build consensus.

"There may be much to work out within the European Union's Green Deal for maritime before we declare that it's a model for replication internationally. But international decarbonisation will be informed by good policy that's made at any level."

MARKETS

Shipper competition driving up freight rates

A BATTLE of "shippers vs shippers" for equipment and cargo slots is helping to drive up freight rates and being used strategically by some shippers to compete with their rivals.

"There are clearly cargo owners now, particularly bigger ones, that have materially better conditions than the smaller ones," said Vespucci

Maritime chief executive Lars Jensen. "I also have a strong sense that some of these larger cargo owners will be using this for strategic competitive advantage."

Speaking in a webinar, Mr Jensen said that those shippers with high volumes were more likely to have their volumes shipped and at better rates.

“Shippers are not all in the same boat,” he said.

This meant a large retailer fighting a small retailer in the same line of business could use a freight rate that is \$5,000 lower than its competitor even if the larger one is still paying far above what it was paying last year.

The smaller competitor that cannot absorb the cost will either lose market share or be driven out of competition.

And rates would continue to keep rising as long as this competition occurred and capacity was insufficient for demand.

Introducing extra capacity was not possible as all available tonnage was already in use, and the shortage of equipment was being exacerbated by the slowdown of the supply chain rather than any innate shortage of boxes.

“It is delays that are pulling capacity out of the market,” he said. “The bad news is that it doesn’t appear that port congestion is getting better, so we won’t get access to more capacity any time soon.

“That means that in the short term the only thing that can balance supply and demand is a reduction in demand. Freight rates will continue up until the point where sufficient shippers abstain from booking.”

But shippers would still be facing high costs at least until the end of this year, Mr Jensen added.

“If we look at an absolute best case where nothing

else untoward happens, there will be a gradual resolution on the bottlenecks, which takes time. If it was only a shortage of containers, it would still take three months to fix.”

He pointed to the labour disputes on the US west coast in 2015, where it took six months to work the delayed cargo through the system.

“If we are really optimistic, things could be back to normal by the end of November or December in operational terms,”

But the coronavirus remained a significant threat, he said.

The disruption at Yantian occurred because of a small number of cases being reported, rather than a large-scale outbreak.

“Could we have a situation tomorrow where we have five cases of the delta variant in Shanghai? If that is the case, there is a real risk that Shanghai could be degraded in operations like Yantian was. It is certainly a risk.”

Even smaller disruptions that usually meant nothing were now extremely important, he warned.

If a vessel has to come out of service, for example, there are no other available to replace it, leading to further delays and removing capacity from the market.

“All these small elements will make the problems worse until we get these bottlenecks resolved.”

Gerald unit restarts Sierra Leone iron ore shipments after two years

GERALD Group said its SL Mining unit has resumed shipping iron ore from the Marampa mine in Sierra Leone following a two-year hiatus.

The first shipment of 63,000 tonnes of high-grade ore, which is loading on the ultramax *CL Judy* (IMO: 9720976) at Delta 1 anchorage point at Freetown port, is expected to depart within days for China, the company said.

The miner expects to continue to export from its current stockpiles of about 707,000 tonnes over the next three months.

It is the company’s first shipment following the out-of-court settlement in May with the government of Sierra Leone, which had suspended its mining licence in 2019.

Under the settlement, the company will pay the government \$20m in two equal instalments due by October and December as the stockpiles are monetised, the miner said.

Gerald owns 90% of the Marampa mines, which have resources of some 1bn tonnes of iron ore concentrate in the Port Loko District of the northern province of Sierra Leone. The government owns the rest.

Chief executive Craig Dean said the company was “excited” about the first shipment as it progresses to reopen the mine, which is set for an initial output capacity of 2m tonnes per year, rising to 3.25m tonnes within 12 months.

The news will add positivity to an already hot dry bulk market considering the distance involved if most of the ore ends up in China, which has been diversifying its sources.

In January, a bulker carrying ore from the Tonkolili mine set sail for China from the port of Pepel in Sierra Leone, according to media reports at the time.

Given the rising shipments from the West African country, North P&I has warned about the risks of liquefaction of iron ore cargoes from the Pepel port, especially from stockpiles that may have been lying exposed to the elements for several years.

IN OTHER NEWS

Master of bulker abandoned off Egypt allowed to leave

THE master of an abandoned ship in Egypt has been allowed home after being on board for more than a year as legal guardian.

The International Transport Workers' Federation secured Capt Vehbi Kara's release back to his home in Turkey after being left alone on bulker *Kenan Mete* (IMO: 8701935) at Adabiya, the union said.

The Panama-flagged vessel was abandoned in June 2020 after owner Blodwen Marina refused to pay the crew, it said, adding that the Egyptian authorities then seized the ship with a view to selling it to cover the debts.

Large explosion and fire on containership at Jebel Ali port

AUTHORITIES in Dubai say a fire that erupted on a containership at Jebel Ali port has been brought under control and that there is no damage to port infrastructure.

“We assure the people of Dubai and the UAE that the logistics and operational facilities of Jebel

Ali port have not suffered any damage, and the accident has not affected the movement of ships due to its distance from the main shipping lane and the water channel in the port,” minister of energy and infrastructure Suhail al-Mazrouei said in a statement.

He commended the efforts of firefighters that tackled the blaze, which broke on the 1993-built, 102 teu containership *Ocean Trader* (IMO: 9056739) following an explosion just before midnight on Wednesday.

Ruling allows owners to demand direct payment of freight under bills of lading

SHIPOWNERS can demand direct payment of freight under a bill of lading, even where it states that freight was payable “as per charterparty” and the vessel's time charterer was not in default, the English Commercial Court has ruled.

The ruling effectively closes a previously undecided point, even though non-binding comments in an earlier Court of Appeal decision pointed to the opposite answer.

Alpha Marine Corp v Minmetals Logistics Zhejiang is known as the *Smart* case, on account of the vessel involved. The company's bulk carrier was time chartered on an amended NYPE Form which was then sub-voyage chartered by Minmentals.

Port of Vancouver operations disrupted by wildfire threat

CARGO through the Port of Vancouver, Canada has been delayed by damage to railway lines resulting from wildfires near the town of Lytton in southern British Columbia.

“There are a large number of trains waiting to arrive at the Port of Vancouver,” port officials said in a memo to customers. “We are working closely with our container terminal operators, railways and government to understand the impacts of these delays on terminal operations and to develop a recovery plan.”

GCT Global Container Terminals and DP World each operate two container terminals at the port. Both firms have been approached for comment.

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