MARITIME BUSINESS INSIGHT

Feature

Ship Management

C.Y. Tung International Centre for Maritime Studies

Maritime Education ✸ Research ✸ Consultancy

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THE HONG KONG POLYTECHNIC UNIVERSITY 香港理工大學

IDEAS Innovation-driven Education and Scholarship | Faculty of Business 工商管理學院

Department of LOGISTICS & MARITIME STUDIES 物流及航運學系

CY TUNG International Centre for Maritime Studies 董浩雲國際海事研究中心

INTER-DISCIPLINARY MARITIME PRACTICE WORKSHOP SERIES 2

Inaugural Evening Session –

"An Inspiring Odyssey - Offshore Wind Energy"

7:00pm - 9:00pm, Tuesday 29th November 2016

at Room QR305, Hong Kong Polytechnic University

The series of nine monthly workshops with a theme of "Inter-disciplinary Maritime Practice" (IMP) is the second of its kind, the first series having been completed in December 2015. It is jointly organized by three institutions in Hong Kong, namely, The Hong Kong Logistics Management Staff Association (HKLMSA), C.Y. Tung International Centre for Maritime Studies, PolyU (ICMS), and the Hong Kong Seamen's Union (HKSU) with a view to providing a platform for expert professionals from the Hong Kong and regional Maritime Industry to unreservedly share their view and valuable experience with those whose careers and professions are in the shipping fraternity of Greater China Region. The IMP Program was structured to cover the entire life-span of a ship, from the decision to purchase to its final loss or scrapping. The mode of workshops is based upon case-study format, with guest-moderators being invited to share their view and valuable experience, be it good or bitter, in specific issues. Series 1 which began on 9th January 2014 has proven to be a very proactive educational workshop. The Inaugural Session shall start with the case study on Offshore Wind Energy Project and IMP and Inter-disciplinary Learning (IDL) methodology. **Parties who are interested can contact Miss Catherine Chow at Tel: 2771-6180 or** info@hklmsa.org.hk **for details. Seats are free-of-charge for staff and students of the Hong Kong Polytechnic University. They should contact Miss Violette Wong of ICMS at** violette.wong@polyu.edu.hk . **Please note that reservation of seats are first-come-first-served.**

Topic and dates of the whole series are as follows:-

An Inspiring Odyssey - Offshore Wind Energy	29 Nov 2016
Financing of Shipping & related Projects	15 Dec 2016
Project Management, Shipbuilding & S&P	19 Jan 2017
Ship Types, Machineries & Equipment	16 Feb 2017
Value of Maritime Professional Services	16 Mar 2017

Ship Management, Operations, & Technical Maintenance	20 Apr 2017
Ship Chartering & Administration, Agency	18 May 2017
Marine Insurance (Hull & Machinery, Protection & Indemnity)	22 Jun 2017
Disputes & Casualty Management (Legal & Commercial)	20 Jul 2017

MAritime Business Review (MABR)

Announcement of New Journal and Call for Papers

Please note that the first issue of Maritime Business Review (MABR) is now published online:
http://emeraldinsight.com/loi/mabr

The maritime business environment is dynamic and complex. Recently, it faces many new challenges, including ship over capacity, market turmoil, fluctuation of bunker fuel price, security, safety, acquisition and merger, organizational restructure, and environmental sustainability. At the forefront of these multifaceted challenges, Maritime Business Review (MABR) aims to provide the latest research insights and state-of-the-art theory and management practice to maritime researchers and practitioners on all aspects of maritime business.

MABR will serve all maritime business disciplines that include, but are not limited to:

- **Shipping market analysis and forecasting,**
- **Customer services and marketing**
- **Organizational behavior in maritime business**
- **Innovation management**
- **Maritime security**
- **Safety management**
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- **Marine insurance**
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- **Shipping sustainability and social responsibility**
- **Technology in maritime business**
- **Legal aspects in maritime business**

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EDITOR'S MESSAGE

The feature of this issue is Ship Management, the core element of operation of a vessel.

We are pleased to have invited Capt. Himanshu Chopra of Anglo-Eastern Ship Management. Ltd. to write on the topic of Quality Assurance and Safety Management for compliance with ISM Code. He highlights the importance of developing a safety culture, goal setting of zero fault and reporting immediately non-conformities. We are also delighted to have Capt. Patrick Li Ming Sang of Sinotrans Shipping Ltd. to talk about the implementation of Concentrated Inspection Campaign and what his company has done for the entry into force of MLC 2006, including the development of the MLC 2006 Management Manual and the Self Checklist. Capt. Li also talked about the problem in managing the crew.

Bunkering is a part of ship management and disputes, arising mainly from discrepancy between the amount of fuel that is believed to have been bunkered and the amount invoiced, are frequent. Mr. Iain White of ExxonMobil, in his article, introduces the mass flow metering system (MFMS) for solving this problem.

In the sphere of global shipping, the most shocking news must be the collapse of the Korea shipping giant, Hanjin Shipping. Many Hanjin ships, as well as huge worth of cargo, are still stranded on the sea. Meanwhile, retailers need to secure the space for carriage of cargo in Hanjin's vessels for the Christmas shopping season and so there may be a rise in the freight rate. While other impacts of the collapse have yet to be seen, Hanjin was ordered by the court to sell as many of its own ships as possible. Hanjin's collapse has led to fear and alert in other global shipping companies of the overcapacity of vessels in the coming months.

We also reported the case of the casino ship "New Imperial Star", which had been abandoned in the waters of Hong Kong from October 2015 to September 2016, subsequent to its sale by auction, and now at the waters of India. A large sum of unpaid wages to seafarers was incurred by the ship which abandonment also caused the hardship of the crew being trapped onboard the ship. In this issue, MBI had a talk with Mr. Jason Lam and Mr. Frederick Lau of Hong Kong Office (FOC i.e. Flag of Convenience Campaign) of the International Transport Workers' Federation to find out why this kind of abandonment happened and how they provided assistance to the seafarers.

Hong Kong has declared itself as an Emission Control Area (ECA) in May 2015 and imposed the implementation of the 0.5% Sulphur restriction but this is not sufficient to fulfill the future requirement set by MARPOL. A group of students of the Department of Logistics and Maritime Studies have conducted a feasibility study to identify the limitations and weaknesses of the current practices and introduced the use of LNG as fuel of vessels.

Lastly, another group of students introduces the Role of Hong Kong in the "One Belt, One Road" initiative. They illustrate how Hong Kong can act as the third source of financing for the OBOR initiative because Hong Kong is situated at a favorable geographical location and can act as an international financial centre.

This is the last issue of the MBI in 2016. We wish our readers Merry Christmas in advance. Our next issue will be published in January 2017 which we wish to be a hopeful year for the global maritime industry.

FEATURE

Ship Management

Quality Assurance and Safety Management

Capt. Himanshu CHOPRA, QHSE Department of Anglo-Eastern Ship Mgmt. Ltd

Capt. Himanshu CHOPRA joined sea in 1997 as a Deck Cadet. He has sailed primarily on gas tankers and attained the rank of Master in 2011. From 2013-2015, he has performed audits on various types of vessels managed by Anglo-Eastern Ship Management Ltd.

Capt. CHOPRA is presently working as Assistant QHSE Manager with Anglo-Eastern. Anglo-Eastern presently manages over 600 ships.

A common question that any professional related with Quality Assurance is asked is "What is quality assurance?" The Merriam Webster defines this as **a program for the systematic monitoring and evaluation of the various aspects of a project, service, or facility to ensure that standards of quality are being met.**

Let's take a look at the two words individually i.e. "quality" and "assurance". "Quality" would be in relation to delivering goods or service of a high standard and "Assurance" would be a guarantee of sorts. Therefore, a combination of the two would simply translate as a **commitment towards consistently delivering a first class standard.**

Quality assurance was initially introduced in World War II when weapons and ammunitions were inspected and tested for defects after they were made. It started with quality control, and then evolved into quality assurance and eventually to the present principles of quality management.

The International Standards Organization (ISO) defines Management Systems as follows:
"A management system describes the set of procedures an organisation needs to follow in order to meet its objectives."

Over the years, ISO has created innumerable standards (more than 19,500) and certification to these standards is an industry in itself for classification societies and others. Over a million companies are certified to ISO standards. There is a similar theme in all standards. They prescribe 'common sense' advice based on the famous Plan-Do–Check-Act cycle.

Quality Ship Management
"You say what you do, do what you say and show that you do what you say."

In a quality management system, **you say what you do, do what you say and show that you do what you say**. The problem arises when a shipping company's standards for safety are not up to the internationally agreed standards, even though the company may have a quality assurance system in place.

By now, we can collectively agree that it is difficult to see how a ship can provide quality service if it is not assured of safety!

A number of very serious accidents which occurred during the late 1980's, were manifestly caused by human error, with management faults also identified as contributing factors. Lord Justice Sheen in his inquiry into the loss of the "**Herald of Free Enterprise"** famously described the management failures as "the disease of sloppiness".

At its 16th Assembly in October 1989, IMO adopted resolution A.647(16), "Guidelines on Management for the Safe Operation of Ships and for Pollution Prevention". The purpose of these Guidelines was to provide those responsible for the operation of ships with a framework for the proper development, implementation and assessment of **safety and pollution prevention management** in accordance with good practice. The objective was to ensure safety, to prevent human injury or loss of life, and to avoid damage to the environment, in particular, the marine environment, and to property. The Guidelines were based on general principles and objectives so as to promote evolution of sound management and operating practices within the industry as a whole.

After some experience in the use of the Guidelines, in 1993, IMO adopted the International Management Code for the Safe Operation of Ships and for Pollution Prevention (the ISM Code) and the Code became mandatory in 1998.

The ISM Code is intended to improve the safety of international shipping and to reduce pollution from ships by impacting on the way ships are managed and operated. The ISM Code establishes an international standard for the safe management and operation of ships and for the implementation of a safety management system (SMS).

In the ISM Code, probably the most important clause is the preamble to para 6: "The cornerstone of good safety management is commitment from the top. In matters of safety and pollution prevention, it is the **commitment, competence, attitudes and motivation of all individuals at all levels** that determines the end results."

It is the commitment, competence, attitudes and motivation of all individuals at all levels that determines the end results.

These two well-crafted sentences are the essence of Quality and Safety Management Systems and in fact apply to any industry. On a practical level, they cover the entire operation of the company.

The devil is in the detail of implementation. A number of authors have written about the ISM Code, its implementation and how the safety management system should be structured. All the sections or 12 elements (of Part A) of the Code are usually very well explained by various writers. However, in my opinion, all the literature available on the subject is geared towards compliance with the requirements of the Code, thus taking a narrow view of the requirements of an effective Safety Management System.

The devil is in the detail of implementation.

This, therefore, brings into question the possible achievement of self-regulation culture or safety culture if all the efforts are towards advising readers and practitioners ONLY on compliance.

The objectives of the ISM Code of continuous improvement in safety management should establish the climate in which a well-trained, healthy seafarer can properly adopt a **safety culture** necessary to the successful completion of any maritime adventure.

The objectives of the ISM Code should establish a safety culture.

In terms of shipping, a **safety culture** is a broad, organization-wide approach to safety and quality management. A safety culture is the end result of combined individual and group efforts toward values, attitudes, goals and proficiency of an organisation's health and safety programme. In creating a safety culture, all levels of management are highly regarded on how they act toward workers and on a day to-day basis.

Here, in my opinion, are the essential steps to implementing a healthy safety culture and in turn an effective safety and quality management in your organisation:

1. Identifying Your Organisational Goals

It is vital to first identify the goals of the organization. To do this, you also have to factor in the customers' needs as well as the needs of the employees and anyone else who uses your services.

There are many shipping companies that set a goal of "zero accidents at sea". This statement, while laudable in intent is worthy of further analysis and thought if we are to truly appreciate the value of an effective safety culture at all levels. The argument as to whether a "Goal Zero" policy is useful, achievable or even counter-productive rages on.

It can be convincingly argued that "Goal Zero" is the ONLY ethical and practical goal to set, as to aspire to anything less implies a negligent, even immoral, acceptance of workplace casualties, and that some "minimum" is a fair sacrifice in pursuit of productivity.

"Goal Zero" is the ONLY ethical and practical goal to set.

A concept of "As Low As Reasonably Practicable" can be more useful in furthering the pursuit of excellence; as it allows for the effective measurement and management of health and safety in a way that does not punish failure or encourage covering-up and under-reporting. By accepting that there will always be a certain level of unmitigated risk, but then striving to minimise it, better results can be achieved than by an ill-managed and unrealistic target.

2. Commitment from the Top

This is perhaps the most critical area to focus on. Management should appreciate that merely obtaining an ISO or an ISM certification does not mean the quality and safety management system becomes static.

It is for this reason that the preamble focuses on 'commitment from the top' as it is hoped that the 'top management' understands and appreciates that commitment to safety and loss prevention cannot be compromised at any time. Wavering from it could mean an accident that may cause the end of the business and the reputation of the company. If the management systems are working correctly, quality actually pays for itself,

usually through a growth of the business and an enhanced market reputation.

3. Commitment from the Employee

The effectiveness of a quality assurance and safety management system depends on how well it permeates in the fabric of the organisation—'the ways in which things are done'—so that a positive safety culture is generated and maintained in an ongoing manner.

The procedures, manuals, and checklists only lay down the framework of the expectations. It is the seafarer and the office staff who decide whether to follow the procedures or not. Various strategies and programs are required to ensure that the commitment from the top does not get diluted at the sharp end.

It is the seafarer and the office staff who decide whether to follow the procedures manuals, and checklists or not.

4. Effective Communication

As per ISM Code clause 6.7 "*The Company should ensure that the ship's personnel are able to communicate effectively in the execution of their duties related to the safety management system*."

The critical part in effective communication especially in the maritime environment. As Peter Drucker said "**The important thing in communication is to hear what isn't being said**." This is very much applicable in the ship management where shore managers practise virtual management and tend to make decisions based on information available via emails, phone calls or conversations. The diverse culture which currently prevails in this industry brings a barrier to communication through cultural difference.

The important thing in communication is to hear what isn't being said.

Communication has to be both top–down and bottom–up which will show commitment throughout the whole organisation and especially the commitment of top management. Open and frank conversations are needed to encourage a healthy safety culture.

5. Working Conditions

It is the duty of the company to ensure that the working conditions are such that the employee is in a position to work safely. Sufficient resources of stores, spares and personal protective equipment must be available. It is difficult for employees to believe in the safety objectives of the organisation if they have to work and deal with sub-standard living conditions, machinery or equipment.

6. Reporting Accidents, Near Misses and Non-Conformities

With the objective of improving safety and pollution prevention, the ISM Code requires the company to ensure that the SMS includes procedures to investigate and analyse '*non-conformities, accidents and hazardous situations*'.

When a major incident occurs, it is common for considerable time, effort and money to be spent establishing what happened. Following the investigation, when the root causes are inferred, it is often realised that these were apparent and visible long before the incident occurred.

Reporting such events at an early stage, followed by appropriate corrective and preventive measures, can prevent accidents that lead to pollution, damage, injury or loss of life. It is therefore important for the company and personnel to recognise the importance and value of reporting non-conformities and hazardous occurrences and so called 'near misses'.

7. Immediate Actions on Safety Issues

Our behaviours depend on our past experiences. This is generally called the "Antecedent Behaviour Consequence" (ABC) theory. If employees see that safety issues are promptly and correctly handled by their supervisors, they get the confirmation that the organisation is serious about safety. If safety issues are not handled immediately, the employees will believe that lack of safety is "acceptable" and "tolerable" within the organisation.

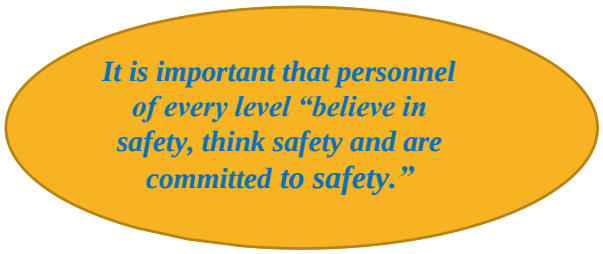
8. Measuring Performance and Behaviour

While the audits and inspections are prescribed in the ISM Code, they do not tell us the perception of the management systems in the minds of the work force. The behaviour of the individual is based on his intrinsic beliefs, and the safety culture of company. The 'safety culture' and 'organisational culture' can be measured with the help of questionnaires and surveys. These give an insight into the 'unwritten policies' of the company and tell us 'how things really work' in the field. These help to channel the thoughts of the stakeholders and to focus the attention of decision makers on the reality.

One can have long periods without accidents and 99.9 percent of the employees may be doing the right thing, but all it requires is for one or a few individuals to let their guard down for accidents to happen. The anonymous safety culture surveys help to identify the weaknesses in the implementation of the systems as perceived by the workforce.

9. Modifying Behaviour

The goal of implementing an effective safety culture must be to modify the attitude and behaviour of company personnel at every level, from senior executives to front-line crew, so that they "believe in safety, think safety and are committed to safety" not because they fear punishment, or are required to by rules and regulations, but because they want to – as they understand it is in their best interests, financially and morally.



Developing an effective safety culture based on the concept of continuous improvement, personal commitment and responsibility by all, is a long term process and involves much hard work and effort.

Some companies may wish to conduct 'behavioural assessment' programmes, using outside consultants to oversee changes to the company's safety culture.

10. Training and Continuous Development

Marine industry is dynamic and ever-changing. The need of the hour is to keep ourselves updated with changes affecting our work environment, primarily including new regulations and the latest technology. In addition, the protection of the environment, concerns about global warming, sustainability and supply chain security all take a central role

so we need to remain aware of new scenarios in each of these areas.

To have a better understanding of the global and operational challenges facing us at any one time, we need to develop new skills, which can be achieved by pursuing professional development initiatives in their various guises. Fulfilling the STCW qualification is only the minimum, generic requirement as far as competency skills go.

To be suitably qualified for a type-specific ship, we must also:
(a) Have the requisite experience (as required by some stakeholders like oil majors); and (b) Pursue additional qualifications and training (both company and trade specific) to hone our knowledge and practical skills. Skills required for day-to-day operations should be learnt and developed by the individual, with support from well managed companies as appropriate. These skills range from acquiring in-depth knowledge about subjects such as commercial law and insurance, as well as soft skills, like how to communicate effectively and manage cultural diversity. Acquiring such skills prepares people, not only to manage day-to-day operational issues, but also to help them look to future career progression.

In conclusion, the success or failure of the QHSE Management Systems is based on our understanding and management of the people and the Human Element in particular.
An employee who feels valued is one who *will* do the right thing – even when no one is looking.

To -do-List

1. Identifying Your Organisational Goals

2. Commitment from the Top

3. Commitment from the Employee

4. Effective Communication

5. Working Conditions

6. Reporting Accidents, Near Misses and Non-Conformities

7. Immediate Actions on Safety Issues

8. Measuring Performance and Behaviour

9. Modifying Behaviour

10. Training and Continuous Development

Mass Flow Metering – Setting New Standards for Fuel Measurement

Iain WHITE, Global Marine Marketing Manager, ExxonMobil

Iain WHITE has over 35 years' experience within the marine industry, beginning his career as an Engineer Officer in 1979 with the Cunard Steamship Company. During the 12 years Iain served at sea, he sailed on various vessels developing experience in both steam and motor propulsion, and gained a steam and motor chief engineer's certificate.

Mr. WHITE joined ExxonMobil in 1991, working in various global roles including sales and trading, technical support and business development within the marine fuels and lubricants department.

Bunker Disputes are Frequent

Bunker disputes are frustrating, time consuming and largely avoidable. Unfortunately, they are all too frequent. One of the most common causes of fuelling disagreements is a discrepancy between the amount of fuel that is believed to have been bunkered and the amount invoiced. So what can vessel operators taking on fuel in Hong Kong do, to ensure they get what they pay for?

Even the most careful use of traditional manual tank dipping can be subject to error when measuring the quantity of fuel that has been delivered on board. Measurements can be compromised by changing weather conditions causing vessel movement, discrepancies in ship/tank geometry and inaccurate tank dips. In addition, complex calculations related to temperature, level and volumetric conversion are also susceptible to human error.

Measurement uncertainties

Another cause of measurement error results from frothed fuel in the receiving tank. Because traditional techniques measure by depth, a tank with froth can overstate the volume of fuel measured.

While the best intentioned can easily make mistakes, there is a need within the industry to address this challenge. The most common measurement issue, regularly reported in the media, is known as the 'Cappuccino Effect'. This is achieved by compressed air being injected into the fuel via the transfer pump or supply hose during the transfer. It can also occur as a result of the barge having compressed air added into its tanks to increase the apparent volume of the fuel during its transfer.

There are some steps that can be taken to verify the correct quantity:

- Check the sounding of the barge tanks before and after bunkering to confirm the tank quantities.
- Check the fuel temperature prior to the transfer so that the mass can be calculated. Temperatures should be taken at the top, middle and bottom of the bunker barge tanks, and an average calculated for each tank.
- Check that the density values are accurate.
- Ensure the draughts of the bunker barge are taken before and after bunkering to compare the change in displacement with the quantity of delivered fuel.

However, these measures remain highly dependent on human diligence and the quality of measuring equipment and practices.

Bunkering Best Practice

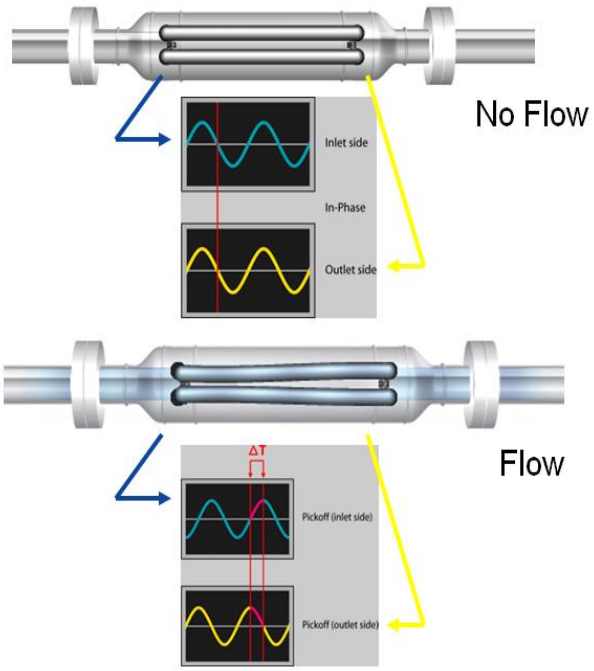


Figure 1 Measuring fuel mass directly reduces uncertaintv

Fortunately, there is a way to reduce uncertainties and increase the integrity and transparency of the measurement process. This can be achieved by using mass instead of volume to measure the amount of fuel dispensed.

The mass flow metering system (MFMS) offers both the characteristics of an accurate measurement system. It can help vessel operators to ensure they get what they pay for when refuelling from a barge. In addition, a port authority or independent-approved third parties can inspect the system and install physical seals. These seals provide unique serial numbers for all critical elements to verify system security and guarantee traceability.

The MFMS uses the Coriolis-effect to constantly monitor and accurately measure the mass, not the volume, while the meters also measure the density and temperature of fuel deliveries. This enables a MFMS to detect any water or air going through it and compensate accordingly.

Additional Benefits

Mass flow metering technology provides multiple benefits for vessel operators, marine industry suppliers and regulatory bodies.

According to an estimate by ExxonMobil, a MFMS can save up to three hours per delivery[1] compared with traditional tank dipping. This can translate into significant financial and resource savings.

Changes in fuel temperature and density during the refuelling process can lead to additional costs for vessel operators. An estimated US$3,000 saving could be achieved by

Good measurement practices	Mass Flow Metering System
Accurate	✔
Approved by the authorities and certified independently	✔
Secure	✔
Transparent	✔
Saves time	✔
Cost effective	✔

Figure 2 Key features of MFMS

[1] Comparison versus manual tank dipping.

measuring these variables in real time with a MFMS.
A temperature measurement delta of 10°C amounts for up to US$2,100. A 3kg/m density difference amounts for up to US$1,000, and all these variables can be avoided by the use of a secure MFMS.

Additionally, a MFMS can provide vessel operators with an automated process, making the system easier to use, more transparent and less susceptible to error. Measurement data is logged throughout the entire delivery process, illustrating the fuel mass transferred at any point in time. This offers a transparent and accurate measure of fuel transferred to the customer's vessel.

To ensure system integrity, the mass flow metering technology provides independent sealing of the system's associated pipelines, valves, gauges and barge equipment. Information systems are also secured via a sealed transmitter, with measurement tickets printed from a secure, designated printer.

In order to ensure that vessel operators gain all of these benefits, it is important that they work with a supplier using an accredited MFMS, certified by a reputable, independent agency. The use of a MFMS that has had all its systems and seals checked and verified by a third party offers vessel operators consistent, accurate and reliable bunkering.

MFMS in Hong Kong

The MFMS has been launched in certain ports, including those of Singapore and Hong Kong. Singapore saw its first commercial bunker delivery using a MFMS in 2012 with an Exxon Mobil-chartered bunker tanker fitted with a Maritime and Port Authority of Singapore (MPA) approved mass flow meter.

From January 1, 2017, it will be mandatory to use a MFMS for bunkering in Singapore. The country will be the first in the world to mandate the use of a MFMS. To support the initiative, the MPA has also launched the world's first National Technical Reference for Bunker Mass Flow Metering in February 2016.

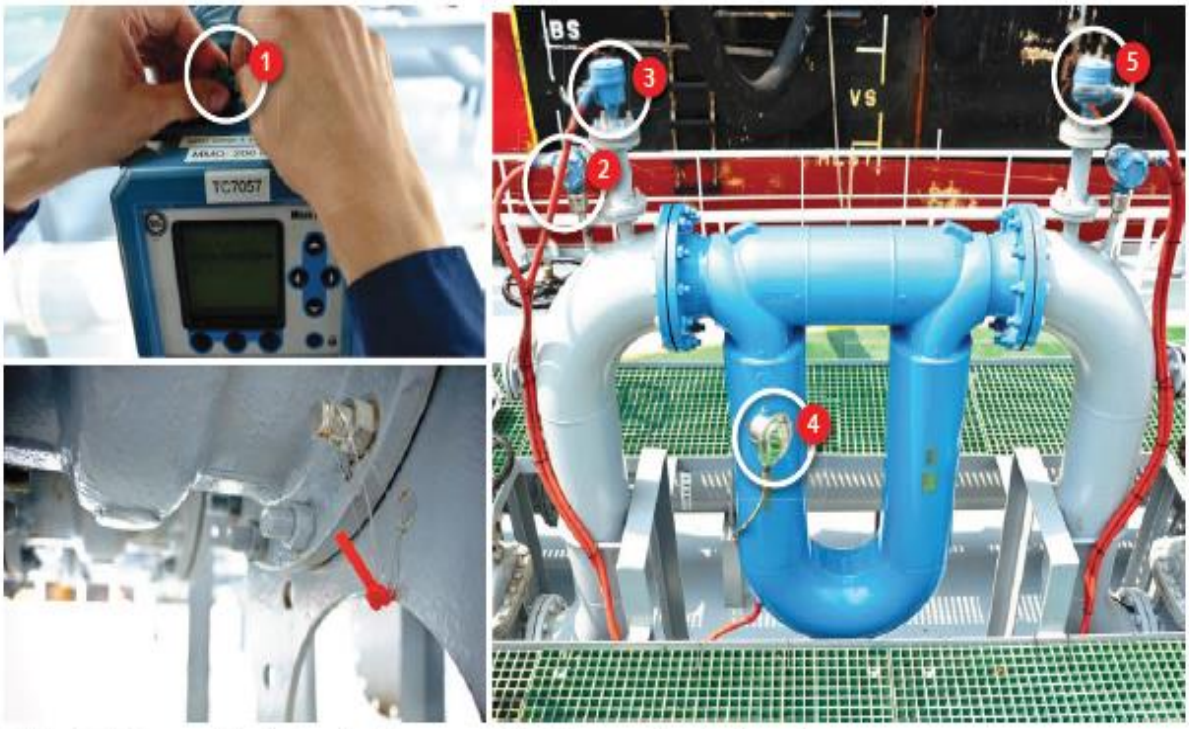
The use of mass flow metering technology has also been increasing in Hong Kong. Exxon Mobil introduced the first independently accredited MFMS in Hong Kong in December 2015, and further expanded its MFMS fleet with the launch of a second bunker vessel with a MFMS in August 2016.

Both metering systems are fully accredited by Lloyd's Register, in partnership with A*STAR's National Metrology Centre, the national measurement institute of Singapore, and Metcore International, a consultancy with expertise in MFMS for bunkering.

Mass flow metering technology is setting new standards for fuel measurement. While the technology delivers significant value to vessel operators, it also offers various benefits to fuel suppliers, regulatory bodies and the port industry as a whole.

Figure 3 MFMS

Physical seals with unique numbers for all critical elements verify system security and guarantee traceability.



Stainless steel wires are sealed with unique identifiers for security and peace of mind.

Seals act to reassure the system's security.

Physical seal locations:

1 Transmitter
2 Pressure transmitter
3 Upstream liquid detector
4 Enhanced core processor
5 Downstream liquid detector

System components:

6 Pump
7 Gate/isolation valve
8 Pressure transmitter
9 Coriolis flow meter
10 Temperature transmitter
11 HMI – Human Machine Interface
12 UPS – Uninterrupted Power Supply
13 CP – Custody Printer

Typical schematic diagram of MFMS for delivery

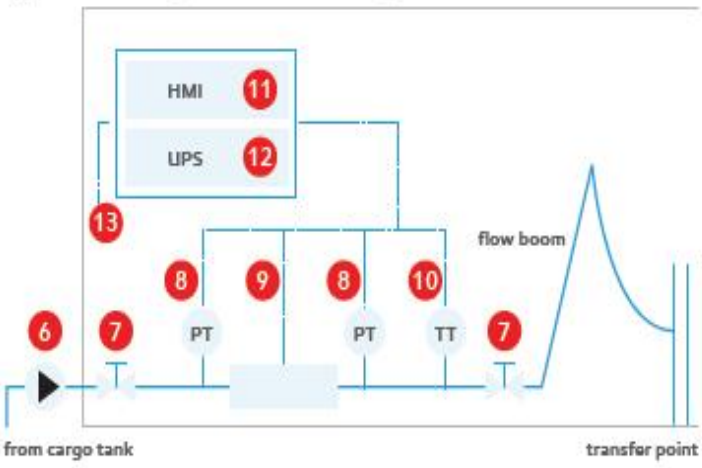


Figure 4 Security seals help ensure system integrity

Interview report with Capt. LI Ming Sang, Patrick of Sinotrans Shipping Ltd. on Ship Management Issues

Vicky YIP Yan Pik

Capt. LI Ming Sang has 48 years of experience in the maritime industry, including 19 years onboard working experience which comprised five years as Master Mariner of ocean-going vessels and almost 30 years of experience in shipping companies and as ship surveyors.

Ship management is of prior importance to the safe and efficient operation of the sailing of a vessel. A ship management team is employed to provide the shipowner with support throughout the occupancy or charter of the vessel. Some shipowners have their own ship management team while some shipowners assign the management job outside. Ship management can be classified into the following job aspects:-

- recruitment, provision, training and management of crew;
- technical support (dry docking, bunkering, equipment maintenance);
- quality and safety management – i.e. QHSE (Quality, health, safety and environment), compliance with all related IMO/International/National regulations and conventions, Port State Control and Flag State Control, minimisation of maritime incidents and;
- purchase of materials and daily supplies for crew.

As shipping is an international industry, a number of codes, requirements, regulations and laws at the international level shall be complied with. In this regard, ship management comprises the measures to comply with the requirements of port state inspection and flag state inspection which includes inspection of various aspects. With the rapid advancement of technology, equipment and improvement of crew welfare onboard vessels and the revision of international requirements such as those relating to environmental and safety issues, the job of ship management is continually evolving and the management personnel should be able to adapt.

In this issue, we are pleased to report on our interview with Capt. Patrick Li Ming Sang, consultant of Sinotrans Shipping Ltd. Capt. Li's sharing would surely give our readers an insight into the future development of ship management.

Sinotrans Ship Management Ltd. (Sinotrans) has profound experience in the operation of dry bulk vessels and container vessels. At

present, Sinotrans manages 40 vessels which are all flying the Hong Kong flag. With regard to ship management, Sinotrans has acquired certification of Safety, Quality and Environment management system (SQE) of the classification society American Bureau of Shipping (ABS).

In the interview, Capt. Li focused on the issue of the Maritime Labour Convention (MLC) 2006 and also introduced the concept of the Concentrated Inspection Campaign which is implemented by various MoU worldwide including Tokyo Memorandum of Understanding. This practice is commonly followed in South East Asian countries. Lastly, Capt. Li discusses various problems arising from crew management.

Concentrated Inspection Campaign

Capt. Li introduced the concept of Concentrated Inspection Campaign ("CIC") as one focusing on a specific area during a period of normally ninety (90) days. The areas which require CIC to be carried out are usually those where high levels of deficiency have been encountered or where new convention requirements have recently entered into force. Capt. Li said that the Company announces the item of deficiency on which CIC will be conducted usually more than two months before the actual inspection work is carried out. As a common practice, questionnaires about the deficiency are distributed to the Port State Control Officer (PSCO) during every Port State Control (PSC) inspection during the period of the CIC. After the inspection, a grace period of two weeks to three months is usually granted to the ship to rectify the deficiency or shortcoming and it is expected that the problem is resolved before the ship sails again. In some cases, the situation of the deficiencies will be followed up by the personnel of the Port State of the next port of call. An example of such specific inspection items is the requirement of providing salary and working condition to comply with MLC 2006.

MLC 2006

MLC 2006, which has consolidated many previous regulations into one comprehensive set of principles and rights, came into force on 20 August 2013. Shipowners of the ratifying flag states are required to apply for DMLC Part I and to compile DMLC Part II for their ships. Any ship visiting ratifying flag states may also be checked by Port State Control regarding MLC 2006 compliance.

China ratified MLC 2006 on 12 Nov 2015, but the convention is not yet in force. As Hong Kong is under the sovereignty of China, ships flying the Hong Kong flag are required to apply for DMLC Part I and to compile DMLC Part II for their ships.

MLC 2006 requires the ship to keep onboard 1) the Maritime Labour Certificate and 2) the Declaration of Maritime Labour Compliance (DMLC). The Maritime Labour Certificate is to certify that the ship meets the requirements of the MLC, 2006 and the seafarer's working and living conditions meet the related requirements.

The DMLC comprises Part I and Part II.

Part 1 of DMLC

The Port Authority of the flag state i.e. Hong Kong will issue Part 1 of DMLC to each applicable Hong Kong ship stating the

requirements as specified in the Merchant Shipping (Seafarers) (Maritime Labour Convention) Regulation that a Hong Kong ship is to be inspected to all of the requirements of the Convention. At the end of this part, there is the signature / stamp chop of the authorised person of the shipping company.

Part 2 of DMLC

Shipowners are required to draw up DMLC Part II to set out the adopted measures for ongoing compliance with Hong Kong requirements between inspections. For certain DMLC issues (e.g. health and safety) that have been implemented under the international safety management (ISM) system, shipowners can save the duplication of documents by referring these issues directly to the shipboard ISM manual which is prepared in the shipboard working languages (e.g. English and Chinese).

Capt. Li noted that the Company had developed the DMLC part II – Maritime Labour Convention – 2006 Management Manual which is less than 30 pages and is to some extent an abridged version of the MLC 2006 (which contains 112 pages) and which changes the text into a paragraph form manual. This states what the master, the crew and the shipping company should do in different situations. Through the manual, all parties can conveniently get to know what actions they should take. In this Management Manual, the requirements listed in the MLC 2006 are classified into the following 14 topics:-

Minimum age
Medical certification
Qualifications of seafarers
Seafarers' employment agreements
Recruitment and Deployment
Hours of work or rest
Manning levels for the ship
Accommodation
On-board recreational facilities
Food and catering
Health and Safety and accident prevention
On-board medical care
On-board Complaint Procedure
Payment of wages

Regarding the section on "Food and Catering", the text in the Management Manual is developed from the relevant Title (Title 3 - Accommodation, recreational facilities, food and catering), regulation (Regulation 3.2 – Food and catering), standard (Standard A3.2 – Food and catering) and guideline (Guideline B3.2 – Food and catering) which are printed on pp.51 to 53 of the original text of MLC 2006. An excerpt of the relevant text which is presented in an action orientated style, listing the party responsible and the action required, is as follows:-

"SINOTRANS provides food and drinking water supplies for its seafarers free of charge, having due regard to the number of crew on board, their religious requirements and cultural practices as they pertain to food, and the duration and nature of the voyage; and tasks the Master with ensuring that these are suitable in respect of quantity, nutritional value, quality and variety. It is recommended that the Cook be provided with a Book of suitable recipes, and that Daily Menus are prepared in consultation with the Master and crew representatives, and records of this maintained for easy reference"

"The ship's cook shall have completed an approved training course, which covers practical cookery, food and

personal hygiene, food storage, stock control and environmental protection and catering health and safety. Anyone processing food in the galley shall be trained or instructed in areas including food and personal hygiene as well as handling and storage of food on board ship. Catering staff shall be properly trained and instructed for their positions".

Apart from the Management Manual, Sinotrans has developed an MLC2006 Implementation Self-Checklist. This part is presented in checklist form and is in both English and Chinese. The excerpt of the part on Food and Catering is as follows:-

Capt. Li also remarked that contradictions might arise between the requirement of security and that of safety. He quoted the example of the occurrence of fire in the engine room. In this case, the crew should take fire-fighting action to put the fire out as soon as possible. For safety and emergency reasons, there should be a wooden box containing the key to the engine room. On the contrary, the key to the engine room should not be put in the wooden box as this can prevent unauthorised persons from getting to it.

1. Food and catering 食品与膳食服务 (Reg.3.2)	Check ✓
Following inspections shall be carried out at least once every week: 至少每周检查一次	
1. supplies of food and drinking water; 食品和饮用水供应.	❒
2. all spaces and equipment used for the storage and handling of food and drinking water; 用于储存和处理食物和饮用水的所有场所和设备.	❒
3. galley and other equipment for the preparation and service of meals; 用于准备和供应餐食的厨房或其他设备.	❒
4. the chief cook shall prepare the weekly menu and placed it in the mess room; 大厨需准备每周菜谱，并放置在餐厅.	❒
5. results were recorded in the "Official Log Book" and the "Deck Log Book". 检查结果记录在船旗国日志和航海日志.	❒

Excerpt of Sinotrans' MLC 2006 Implementation Self-Checklist

By putting "✓" and "✗" in the appropriate boxes, the ship's crew can know instantly which part of MLC 2006 is/are not complied with and follow-up / remedial action can be taken as early as possible.

Talking about the impact of MLC 2006 on the operation of a ship, Capt. Li said, "It is somewhat difficult for a shipping company to comply with the regulation on seafarers' minimum hours of rest when the ship enters a river. The work of river-steaming requires the crew to have a watchful eye and so some seafarers may need to work for more than ten hours consecutively and this is in non-compliance with MLC 2006."

CO_2 discharge alarm in Engine Room

Problems in Crew Management

Capt. Li went on to talk about the difficulties encountered in recruitment and employment of seafarers. He told us that Sinotrans has been employing mainly PRC seafarers i.e. 85% to 90% and a small proportion from India and Bangladesh to work onboard its ships. The crewing department recruits these PRC seafarers through its crewing agency stationed in China and around 150 seafarers are recruited annually. The officers employed by Sinotrans have acquired adequate proficiency in English so there is no communication problem onboard even when the crew is a mixed team with PRC, Indian and Bangladesh seafarers.

Capt. Li remarked that the Company nevertheless faced the problems of 1) low level of crew's alertness and awareness of safety issues, 2) low level of sense of belonging to the Company and 3) high expectation towards promotion opportunities, while having inadequate practical experience.

"In the old days, it was common for a cadet to take 13 to 14 years to be promoted to the post of Master Mariner. Nowadays, however, it is not unusual for a cadet to step into the post of Master Mariner in only eight or nine years' time," said Capt. Li. He added that a shortage of seafarers was the main reason for the short period of time for promotion of seafarers. The disparity between the experience required of Master Mariners and what experience they actually had was a worrying issue to the ship management team. "As the onshore personnel of the company, the ship management team is keeping close control of the crew onboard by having frequent and close communication with them", said Capt. Li. "Also, we have enhanced our training, in particular training for master mariners, and are at the same time organising refresher training courses more frequently to ensure a high level of safety.

Lastly, Capt. Li highlighted that Sinotrans has a competitive advantage in the PRC as it is under the China Merchants Group, which enjoys a superior status in the PRC. He also expressed his hope for a revival of the global maritime industry, though he was not too optimistic about this. Meanwhile, Sinotrans will always strive hard to keep up the performance of its crew and the Company as a whole.

Shipping Giant Hanjin Falls into Financial Difficulty: Ships Stranded at Sea

Vicky YIP Yan Pik

The collapse of Hanjin Shipping Co. (Hanjin), a major South Korean freight company and the world's seventh-largest shipping company, led to about $14 billion worth of goods being stranded at sea and a consequent rise in freight costs which have been at a low level for the past few decades. The collapse has highlighted the difficulties of the maritime industry as it endures its worst downturn in more than 30 years.

Hanjin filed for bankruptcy protection in the courts of South Korea and the USA in late August this year to protect its vessels from being seized by creditors after its main creditor, the Korean Development Bank, declined to continue to provide funding for the company. Prior to the filing, the Hanjin ships set off as normal with their cargoes. After the filing of the bankruptcy protection, all the ships of Hanjin have become “ghost ships”. According to reports, as of mid-Sept, around 90 Hanjin ships in 26 countries have been out of service and billions of euros worth of merchandise is confined at sea.

Meanwhile, as the Christmas shopping season is coming, retailers need to secure space for carriage of cargo in Hanjin’s vessels. . There has been much more demand for carriage than there is supply. Companies have been looking for carriers to shift their goods from Hanjin ships to other ocean freight operators or air freighters. In consequence, freight rates are on the rise, at least in the coming months.

As of 21 September, 2016, the problem of the confinement of merchandise has not been resolved. According to the Wall Street Journal, Hanjin is working on a restructuring plan. If this is approved by the court, it will be able to keep a maximum of 15 of its 37 owned ships and return to the owners almost all of its 60 chartered vessels. The South Korean Court will decide in December whether to accept the restructuring.

As Hanjin owes a debt of about 6 trillion won (4.1 billion pounds) and if the South Korean government is unwilling to rescue the company, it will be hard for Hanjin to survive.

Top priority debts means claims for public interests, which are paid first to creditors and include damages to cargo owners and unpaid charter fees. Outstanding charter fees owed by Hanjin after the court receivership began on August 31 have topped 40 Billion won. In addition, cargo owners could make claims for damages for late or no delivery at all of the merchandise.

Hanjin has a total of 141 vessels, including 97 container ships as of early September. Out of the 97 container ships, 60 are chartered and 37 are owned by Hanjin. Under the order of the South Korean Court, Hanjin has begun returning chartered ships to their owners and is trying to secure enough funds to help unload the cargoes which are still on the ships around the world. The South Korean Court has also ordered Hanjin to sell as many of its own ships as possible.

Figure 1 shows that as of 30 September, 2016, Hanjin ranks as the 13th, in terms of capacity in TEU terms, of existing and order-book vessels which is equivalent to 2.2% of the capacity of the top 100 operators of the global liner fleet.

Meanwhile, as the Christmas shopping season is coming, retailers need to secure space for carriage of cargo in Hanjin's vessels. . There has been much more demand for carriage than there is supply. Companies have been looking for carriers to shift their goods from Hanjin ships to other ocean freight operators or air freighters. In consequence, freight rates are on the rise, at least in the coming months.

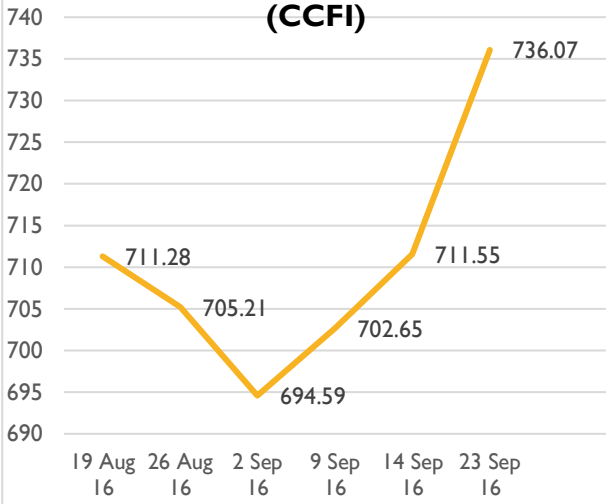
As there are fears that Hanjin will not be able to pay docking fees and handling charges or their cargos might be seized by creditors, a number of ports in the US, Asia and Europe have refused to allow Hanjin ships to dock and unload the cargoes.

As a brief summary from news sources, the fate of the Hanjin ships is as follows:-

1) Being seized when they berth at ports;

2) Being turned away from ports (Japan, China, Germany, Australia, and the US), for fear that Hanjin will not be able to pay docking fees and handling charges or their cargoes might be seized by creditors. As a result, they are still sailing on the high seas.

Figure 3 China (Export) Containerized Freight Index (CCFI)



Data source: Shanghai Shipping Exchange (http://en.sse.net.cn/eninfo/MarketReport/)

Regarding the situation of Hong Kong, the Hong Kong International Terminals Limited (HIT) set up a team to help retrieve containers affected by the collapse of Hanjin and as of 15 September, more than 1,200 containers, have already been retrieved. Some forwarders and shippers believed that HIT had been charging them high fees and deposits for getting the cargoes back. Nevertheless, Mr. Simon Lee, a financial analyst of the Hong Kong Standard, was of the view that HIT had handled the matter in a fair way as they had helped the forwarders and shippers save time required for receivership proceedings. Meanwhile, HIT had protected itself from great loss as port operators did not have any priority in making claims in cases of receivership of bankrupted companies.

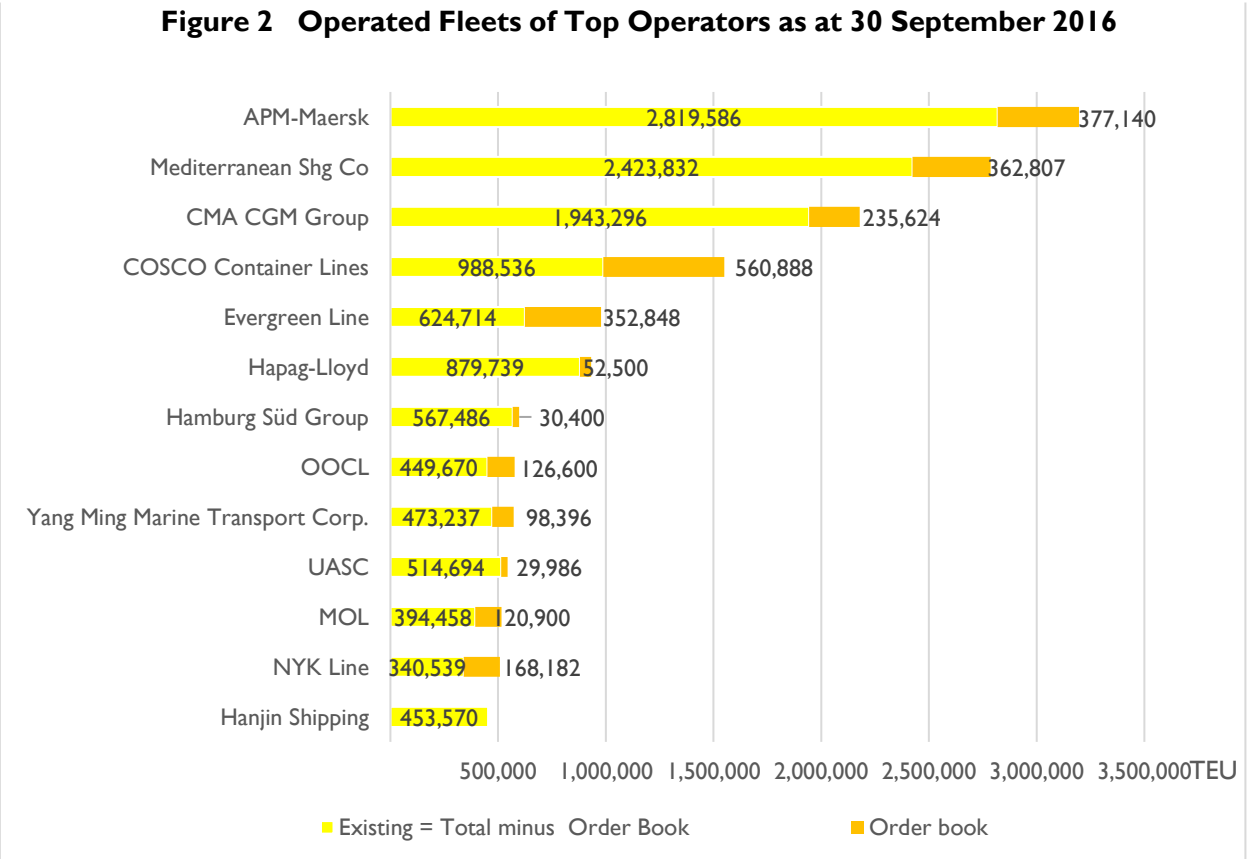
Impact of the Collapse of Hanjin

As discussed before, it is expected that the collapse of Hanjin, which is one of the leading operators of liners in the world, will lead to a rise in freight costs. As some cargoes were detained and the carrying capacity dropped drastically, the freight rate of global container ships rose, as evidenced by the rising trend of the China (Export) Containerized Freight Index

Figure 1 Operated Fleets of Top Operators as at 30 September 2016						
Rank	**Operator**	**Existing = Total minus Order Book** (TEU)	**Order book** (TEU)	**% Share of existing capacity over that of liner fleet in TEU terms**	**% Share of ships chartered-in over total existing ships**	**Total = Owned + Chartered = existing + order book** (TEU)
1	APM-Maersk	2,819,586	377,140	15.40%	44.90%	3,196,726
2	Mediterranean Shg Co	2,423,832	362,807	13.40%	62.10%	2,786,639
3	CMA CGM Group	1,943,296	235,624	10.50%	55.40%	2,178,920
4	COSCO Container Lines	988,536	560,888	7.5%	70.10%	1,549,424
5	Evergreen Line	624,714	352,848	4.7%	43.90%	977,562
6	Hapag-Lloyd	879,739	52,500	4.5%	45.70%	932,239
7	Hamburg Süd Group	567,486	30,400	2.9%	51.10%	597,886
8	OOCL	449,670	126,600	2.8%	28.70%	576,270
9	Yang Ming Marine Transport Corp.	473,237	98,396	2.8%	64.40%	571,723
10	UASC	514,694	29,986	2.6%	23.00%	544,680
11	MOL	394,458	120,900	2.5%	70.60%	515,358
12	NYK Line	340,539	168,182	2.5%	47.40%	508,721
13	Hanjin Shipping	453,570	0	2.2%	39.60%	453,570
	Total of Top 100 Operators	**12,873,357**	**2,911,675**	**39.30%**		**19,214,684**

Data source : Alphaliner

Figure 2 Operated Fleets of Top Operators as at 30 September 2016



Data source: Alphaliner

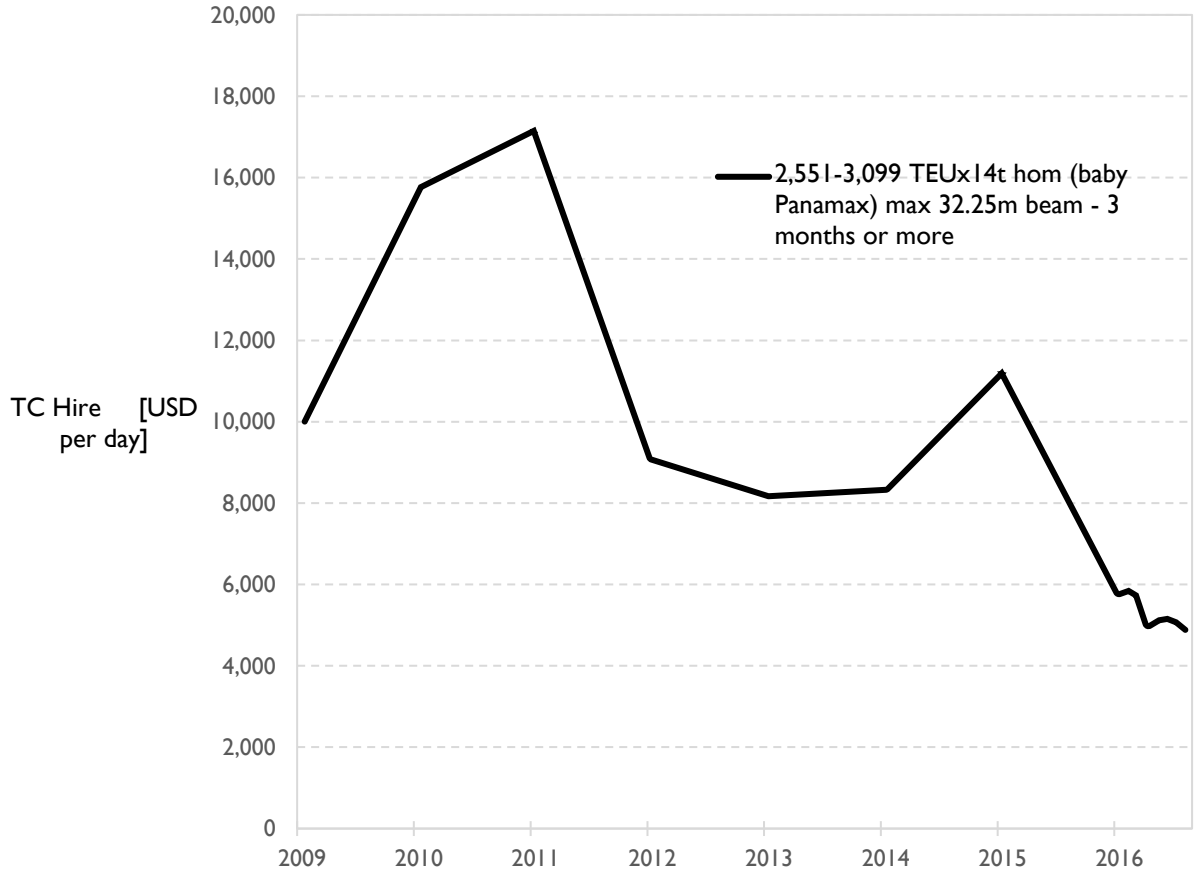
on 2 September, 2016 (CCFI) and afterwards (Fig. 3). Prior to 2 September, 2016, the CCFI, which tracks spot and contractual rates for all Chinese container ports, had been dropping for a certain period of time.

Apart from the freight rate, the containership charter market was also impacted by the Hanjin case. As shown in Figure 1, as of 30 September, 2016, 39.6% (which is a fairly large proportion) of Hanjin's fleet were chartered in. According to Alphaliner's latest idle fleet update, a number of 24 vessels operated by Hanjin, were added to the redundant pool as of 19 September 2016 and many more vessels of Hanjin would join the idle fleet once they had unloaded their cargoes. Figure 4 shows the Hamburg Index (HAX) of Containership

Time-Charter rates of a baby Panamax over the period from 2009 to August, 2016 which has been dropping in the past nine years. It is expected that the collapse of September will have an impact on this rate. Meanwhile, Figure 5 shows the change of Average TC Duration of the baby Panamax which has been showing a downward trend since 2010. It is also expected that the collapse of Hanjin will have an impact on this duration.

Apart from the impact on freight rate and time charter rate, it is speculated that the collapse of Hanjin will lead to a reshuffling or re-organization of the existing global shipping alliance. Hanjin formed a global shipping alliance with Hapag-Lloyd, "K" Line, Mitsui O.S.K. Lines, Nippon Yusen Kaisha and Yang Ming in May, 2016. The alliance covers all East-West trade lanes, namely, Asia-Europe / Mediterranean, Asia-North America West Coast, Asia-North America East Coast, Transatlantic and Asia-Middle East/Persian Gulf/Red Sea and was intended to last for five

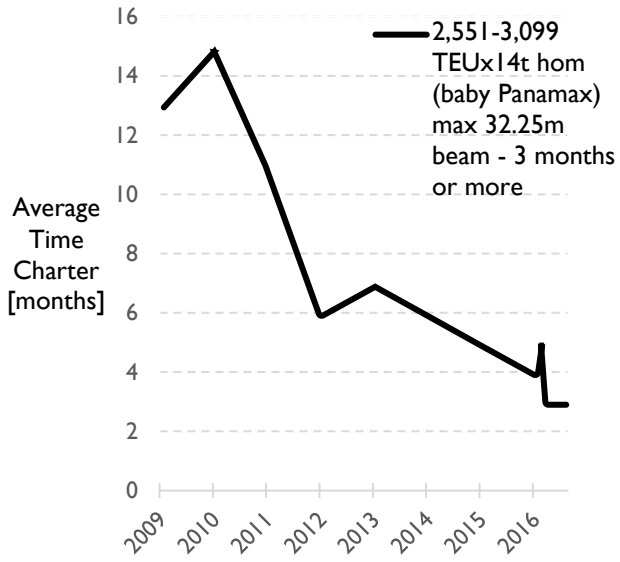
Figure 4 Average TC hire for Containership



Data source : Hamburg Shipbrokers Association
(http://www.vhss.de/fileadmin/user_upload/hax/HAX_2016August.pdf)

years. The alliance had been operating for less than four months when Hanjin, one of the partners, collapsed. The collapse will probably make some participants re-think and assess

Figure 5 Average TC duration for Containership



Data source : Hamburg Shipbrokers Association (http://www.vhss.de/fileadmin/user_upload/hax/HAX_2016August.pdf

whether it might not be better to team up or re-decide which company to team up with. In addition, the failing of ems to have indicated, to some extent, that strategic alliance has failed to solve the problem of overcapacity of vessels.

Root Problem of Hanjin's Financial Difficulties

According to Mr. Howard Winn, a former columnist of the South China Morning Post, the root problem for most market players in the maritime industry is that the capacity currently outweighs the demand. He is also of the view that Hanjin has made matters worse for itself as it sold off much of its fleet after 2008 and chartered vessels instead. The rates of these charters are considerably higher (by 30 to 50 per cent) than the current market rates. As the global economy declines, demand for commodities and thus carriage service is also declining, while capacity is on the increase. This could lead to a significant decline in rates.

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Deserted Casino Ship "New Imperial Star" Finally Sold to Pay Seafarers' Outstanding Wages - Interview with Mr. Jason Lam and Mr. Frederick Lau of Hong Kong Office (FOC) of the International Transport Workers' Federation

Vicky YIP Yan Pik

Ship Abandoned

It was not uncommon in the past for seafarers to be abandoned at sea by shipowners facing financial difficulties. In October 2015, a team of crew comprising Myanmese, Ukrainian and Chinese seafarers with a Ukrainian Captain were abandoned on a cruise ship stranded in Victoria Harbour. The ship was abandoned by the charterers who operated the ship as a casino but then fell into financial difficulties. All the seafarers were owed wages and had to remain on the ship. They sought help from the Hong Kong office of the International Transport Workers' Federation (ITF). With the assistance of the union staff, some of the seafarers went back home in June 2016 and received advance payments. The Maritime Business Insight (MBI) is pleased to have conducted an interview with the union staff of the ITF who provided the stranded seafarers with help and care. These men had been living in very bad conditions onboard the deserted ship.

Mr. Jason Lam and Mr. Federick Lau, the Inspector and Assistant Head respectively of the Hong Kong Office (FOC i.e. Flag of Convenience Campaign) of the ITF, an international union founded in the UK in 1896, helped the deserted seafarers both financially and with legal proceedings. They were aided by Mr. Ting Kam Yuen, Head of the Office and Mr. Yu Sak Ming, former Inspector of the ITF in Hong Kong.

Mr. Lam told the MBI that the ITF received an email requesting help in October 2015 and so visited the ship which was moored at the eastern Victoria Harbour, near Kai Tak Cruise Terminal. A barge was made available to those crew members who wanted to go onshore. As the ship had been abandoned, the cabins were dirty and airless. Besides this, the food was on the point of running out. One can imagine how hard it was for the crew to be kept in these conditions for months on end.

Mr. Jason LAM (left 1) and Mr. YU Sak Ming (right 1) visited the ship and talked with the Ukrainian Master (left 2)

Mr. Jason LAM (middle) and Mr. Frederick LAU (left 1) assisted the crew of the New Imperial Star (left 2).

In February 2016, the problem of failing the Port State Inspection was still unsolved. In mid-April, the seafarers applied for legal aid services from the Legal Aid Department to

claim their unpaid wages from the casino operator.

Ship Detained by HK Marine Dept

On 5th May 2016, the ship was detained by the Marine Department of HKSAR. According to the Admiralty Law of Hong Kong, once the ship is arrested, the owner will be given one to two weeks to settle the unpaid wages .Otherwise the ship will be sold and the proceeds will be used to pay the crew. However, the wages remained outstanding as the owner had no intention to pay them. Meanwhile, the staff of Sun Junhao, the operator of the gambling business on the ship, filed a case to the Hong Kong Labour Tribunal. The labour tribunal, however, has no jurisdiction over the BVI-registered company Arising International and so the claim for unpaid wages was in vain.

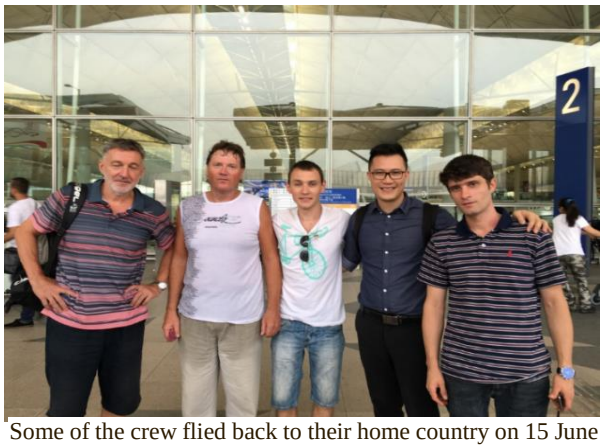
During the two-week detention, the Mariners' Club situated at Tsimshatsui, a branch of the Mission to Seafarers, an international missionary organisation, which offers help to global seafarers, visited the seafarers and took them food.

Cause of Abandonment of Ship – Crackdown on Gambling?

Mr Lau reported that according to the crew, the problems of safety, which led to them failing the inspection, could have been addressed if they had been given money for maintenance. The reason why the owner abandoned the ship was that the main target customers of the casino ship were Chinese Mainlanders. When the Chinese Government launched a crackdown on gambling. It led to a drop in their profits. Mr. Lau continued, "In consequence of the meagre revenue, the shipping company simply abandoned the ship to avoid paying any more of the outstanding costs."

The crew reported that there were only around 30 customers on the last voyage in August 2015. Meanwhile, it was found that behind Arising International was a pool of individual investors from China and Hong Kong with no prior experience in shipping.

The deserted crew came to the Mariners' Club with Mr. Frederick LAU (right 8) to say thanks.



Some of the crew flied back to their home country on 15 June 2016 after receiving advance payments from seafarers' organization in Hong Kong. Mr. Jason LAM saw them off.

Ship Sold for Payment of Wages

As the owner defaulted paying the wages after it was arrested, on 23 August 2016, the ship was put on auction of sale and sold to an undisclosed buyer at US$1.46 million. The notice of sale was published in two local newspapers on 6 September 2016. The 13 remaining seafarers (Ukrainians) went back home. They will only get the full unpaid amounts, ranging from US$1,300 to US$6,500 per month and totalling $500,000, in November 2016 as the High Court needs two months to decide the priority of the claims.

Information of Abandonment of M.V. New Imperial Star at a Glance	
	• The vessel arrived at Hong Kong in August 2015 and operated as a casino ship earning revenue. • Cash-strapped Sun Junhao abandoned the vessel after it failed the Port State • Control safety inspection by Hong Kong marine officers in October 2015.
Age and Flag of the ship	36 years old, Palau
Deadweight and Measuring	12,586 tonnes, 129 by 21 meters
Registered ship owner	Arising International, registered in British Virgin Islands
Price of sale to former owner in 2012	More than HK$100 million
Carrying capacity	513 passengers
Total unpaid wages	US$564,000 (accrued since Oct 2015)
Date of sale by auction	23 August 2016
No. of crew members who had been defaulted wages	46 crew members including 20 from Ukraine, 18 from Myanmar & 8 from mainland China
Charterer of the vessel as a casino ship in HK / Crewing Manager -	Sun Junhao Ltd.
Rent as a casino ship	HK$2 million per month
Selling price (by auction)	US$1.46 million

Timeline of Events of M.V. New Imperial Star	
6 October 2015	• Stranded in Hong Kong after it failed the Port State Control inspection by Hong Kong marine officers • Initially there were more than 100 seafarers/staff working onboard the ship, including dealers (荷官). Some of the Chinese staff amongst them were paid their wages and sent home.
Mid April 2016	• The seafarers applied for legal aid services from the Legal Aid Department to seek their unpaid wages from the casino operator.
5 May 2016	• The ship was detained by the Marine Department of HKSAR.
15 June 2016	• 33 seafarers were repatriated to their home countries. Each received advance payments capped at US$4,000 from loans offered by various parties. Total of advanced payments = about HK$700,000, loaned by The Mariners Club of Hong Kong, the Merchant Navy Officers' Guild – Hong Kong and Amalgamated Union of Seafarers, Hong Kong. • 13 Ukrainian crew remain on board to maintain operations.
12 July 2016	• HK High Court ruled the vessel be auctioned to settle the debts of the owner, including crew wages.
23 August 2016	• The ship was sold to an undisclosed buyer for US$1.46 million. The notice of sale was published in two local newspapers on 6 September, 2016. • 13 remaining seafarers (Ukrainians) returned home. They will get the full unpaid amounts, ranging from US$1,300 to US$6,500 per month, in November 2016, the earliest.

The Hong Kong ITF (FOC) Campaign Office

The Hong Kong ITF (FOC) Campaign Office which was the major organization to provide help to the seafarers in this case, was set up in 2010. The objective of this office, which is one of the ITF's offices of Flag of Convenience Campaign worldwide, is to ensure that seafarers serving on flag of convenience ships, whatever their nationality, receive a decent minimum wage and good conditions on board.

It handles about 150 dispute cases every year. The cases are mainly disputes over wages of seafarers of ships under China ownership flying the Hong Kong flag or ships under the ownership of China or Hong Kong registered in FOC countries. Usually the Office receives email messages from the seafarers seeking help and then the staff contact the concerned shipping companies to have a better understanding of the situation. They then act as the middlemen between the seafarers and shipping companies. In some cases, legal proceedings will be initiated in emergency cases.

Besides handling labour disputes, the staff of the Office perform the routine work of inspection onboard vessels berthing at Kwai Chung Container Terminal or moored at anchorage twice every week. Mr. Jason Lam is often accompanied by Mr. Federick Lau to inspect the payroll of the seafarers to see whether the wages level comply with ITF standard. Mr Lam said, "We find this inspection work meaningful as we are ensuring the seafarers are not exploited by the employers. In some cases, we have been successful in helping the families of deceased seafarers to get death compensation. On occasion, this had been delayed by P&I Clubs which refused to recognize the death certificate issued by certain countries as valid."

Abandoned Casino Ship in Hong Kong—M.V. Oriental Dragon (東方神龍)

In November 2012, around 250 crew members of the Panamanian-flagged cruise ship "Oriental Dragon", sought help from Hong Kong Seamen's Union when they were owed wages for more than four months, which was the amount of time that their cruise ship was berthed in Hong Kong waters. The shipping agent, which was owed around US$2 million in agency fees, filed in the High Court of Hong Kong for arrest of the ship.

The representatives of the crew applied for legal aid in the Legal Aid Department. The representative of the owner of Oriental Dragon turned up, but requested that the crew members withdraw the filing for the arrest of the ship. The crew members were of the opinion that this request was not reasonable and so refused to withdraw the filing. The shipowner had no other resort but to pay the outstanding wages to the crew members and at the same time asked the crew members to sign an agreement to give up their right the transportation expenses for repatriation and damages for violation of the employment contract. Although these contract terms were unreasonable, the crew members signed the contract as they were eager to return to their home town with the back pay.

Feasibility Study of Emission Control Area in Hong Kong

Bobby CHAN Ka Chun, HUI Yin Tung, TANG Man Yu and TSE Pui Ying

CHAN Ka Chun, HUI Yin Tung, TANG Man Yu and TSE Pui Ying were students of the Bachelor of Business Administration in International Shipping and Transport Logistics the Hong Kong PolyU. This paper is a summary of their Capstone Project under the supervision of Dr Venus LUN.

An Emission Control Area (ECA) has been proposed by the International Maritime Organization (IMO) on the International Convention on the Prevention of Pollution from Ships (MARPOL) which came into force on 19 May 2005. The current ECAs in the world include North Sea, Baltic Sea, North America and United States Caribbean Sea (Carr and Corbett, 2015, p.9584-9591).

In 2013, the Hong Kong government launched a voluntary low sulphur fuel switching campaign and started to promote low sulphur emission practices by incentivising the participating shipping firms based on the 3-year incentive scheme. After two years, in May 2015, the Secretary for Transport and Housing declared the implementation of ECA in Hong Kong during the Global Port Research Alliance Conference (Transport and Housing Bureau, 2015). The new regulations became compulsory by law on 1 July 2015. This meant that Hong Kong became the first region in Asia to take a step forward to prepare itself to become an ECA.

However, the 0.5% Sulphur restriction is still not sufficient to fulfill the future requirement, as MARPOL requires that on and after 1 January 2020, the fuel oil Sulphur limit within ECA shall be under 0.1% in established ECA. There is still a gap between the current requirement in Hong Kong and the IMO requirement in 2020. Therefore, a feasibility study is being conducted to identify the limitations and weaknesses of the current practices in emission reduction. Possible solutions will be proposed in order to improve the current practices and narrow the gap between the two requirements.

POTENTIAL PROBLEMS

Commercial Barriers

To comply with the regulation, distillate fuel can be used to reduce Sulphur emission. However, the price of distillate fuel is much

higher than that of heavy fuel oil. Using scrubbers can remove SOx from the exhaust gas, but some vessels may need to be retrofitted and the retrofitting will cost around $3-5 million per vessel (Intertanko, 2012). Therefore, both the use of distillate fuel and scrubbers require additional costs.

Difficulties in Raising Funds

It is difficult even for the government to raise funds and thus initiate such a big investment for modifying, upgrading and greening the port and the port infrastructure to serve as an ECA. There is no reason why private consortia should take the risk of such a large investment.

In Hong Kong, the ports are operated by private sectors and this is different from other government operated ports, like the Port of Singapore. Thus, such an investment would become a business investment and require a substantial return. However, as investments including additional bunkering facilities and other related hardware are long-term, it is difficult for private sectors to make such an investment decision.

Insufficient Alternative Fuels

One of the ways to reduce emissions at berth is to use onshore power supply at ports. The system has been developed mainly in the ports in North America and Europe. However, there is no onshore power supply system in Hong Kong and so vessels at berth cannot get power support from onshore. This may hinder the development of ECA in Hong Kong.

Focus only on Sulphur Restriction

In Hong Kong, the fuel restrictions only focus on the reduction in Sulphur emission; other emissions such as NOx are not controlled under the regulation. In order to reduce air pollution and health hazards caused by emission from ships, Hong Kong should establish a more comprehensive regulatory scheme on controlling the emission in addition to MARPOL Annex VI.

Non-internationalized Incentives Program

As the new regulation on Sulphur restriction in Hong Kong will increase the operating cost of the shipping companies, an effective incentive program is essential to motivate shipping companies to comply with the new regulation. However, the cost reduction in port facilities and light dues offered by the Port Facilities and Light Dues Incentive Scheme for OGVs, only covers the ports in Hong Kong. For the vessels that do not use the port of Hong Kong regularly, the scheme is not internationalized and may not be a very effective motivator.

Negligence and Difficulties in Determining Compliance

It is the shipmaster's responsibility to keep records in a logbook when a fuel oil changeover operation is completed before entering into Hong Kong or commenced after leaving Hong Kong. However, staff of the Environmental Protection Department usually rely on the record of Sulphur content provided in the bunker delivery note to determine whether the vessels have complied with the regulation. Although there is random inspection of relevant documents and samples of fuel are taken, there are still some cases of non-compliance. Negligence of compliance checking may hinder the effect of the new regulation.

RECOMMENDATIONS

Promoting the use of LNG

LNG produces less emission than heavy fuel oil. LNG is not explosive even though it stores a huge amount of energy (Chevron Corporation, 2016). Therefore, LNG is safe to transport in large amounts across long distances, and is more economical and environmental friendly.

In order to encourage the use of LNG, the government can give incentives in terms of tax exemption to the ships using LNG. Besides, Hong Kong government can construct LNG bunkering facilities to enhance the LNG operation.

Alternative Sources of Energy

1 LNG PowerPac

The LNG PowerPac can be introduced as an electricity supply station in Hong Kong port as a short-term alternative to an onshore power supply system. The system requires the containership to load and connect the LNG-powered electricity generator, for up to 30 hours' power, to the ship. The consumption of power in containership is from 1-3 MW (Becker Marine Systems, 2016). The size is similar to two 40 ft.-HQ, which is applicable to all containership facilities.

2 LNG Hybrid Barge

LNG Hybrid Barge is an alternative to onshore power supply. The barge acts as an electricity plant to provide power to the berthed ships through plugging the wire. It will be located near the vessel and provide the power plug to the vessel at port. The barge uses LNG as fuel and has low emission of NO_2, SO_2 and CO_2 (Becker Marine Systems, 2016).

The Port of Rotterdam will deploy the barge and plans to generate electricity for moored cruise ships from 2017 (Kotug, 2015). Technically speaking, the barge can be applied to the containership as the voltage of the cruise ship (10-12 MV) is higher than that of the containership (2-8 MV) while at the quayside (Port Of Gothenburg, 2010).

3 Onshore Power Supply

In the case of Hong Kong, the onshore power plug can be installed in all of the 24 berths to provide cold ironing for ships. According to Wang, Mao, and Rutherford, (2015), the investment for OPS will be around RMB $5 million per berth. The power of the onshore power supply will come from the local power plant that is different from the above 2 alternatives.

In terms of mobility, the PowerPac and LNG Hybrid Barge can provide more flexible operations than OPS. The PowerPac can be transported to the ships through a quayside crane to provide electricity to the ships and LNG Hybrid Barge can berth near the vessels to supply power. In terms of fuel type, the PowerPac and LNG Hybrid Barge use of LNG gives a lower emission than the fuel used in the power plant in Hong Kong. In terms of fuel stability, the OPS will provide a more stable source of power as LNG supply may be affected by the transportation of fuel.

4 International Incentive Programme

The International Incentive Programme should be introduced to move a step forward to fulfilling the regulations. The current incentive programme of Hong Kong is only applied locally. Hence, to go further, Hong Kong can adopt the unified and international incentive programme such as "Environmental Ship Index Programme" (ESI).

ESI is being adopted by many western countries including the United States, Spain, Germany and Norway (World Port Climate Initiative, 2016). Those ports which adopted ESI will endeavor to achieve Tier III NOx levels, modification on vessels' engines or change in fuel type is needed. For instance, Tier III NOx regulations have already gone into force for North American ECA. A discount on port dues will be applied to the ships that meet the requirements and have a good score. The programme will measure the Sulphur and nitrogen oxide emission that do better than IMO requirements to calculate the score.

5 Establishment of Monitoring Station

Ambient Sulphur dioxide monitors are capable of measuring and monitoring the SO_2 emission by vessels within a range of 0.5 km. (Kattner et al, 2010). The monitors should be used with an automatic identification system to collect the basic information, like the ship type, position, course and speed, of passing ships. This kind of monitoring station can help ports to monitor the performance in air emission of vessels in a more convenient and reliable way.

CONCLUSION

Maritime activities significantly pollute the environment which results in different environmental issues. The new regulation with stricter Sulphur emission limits in Hong Kong is a milestone of improving air quality. The alternatives can be used for closing the loopholes of the current practice with reference to the practices of other countries. One example of this is that the use of HFO prior to ship departure may need to be forbidden.

All in all, Hong Kong is stepping forward to becoming a 0.1% ECA in 2020. However, the execution and regulation of the policy may seem somewhat superficial and Hong Kong still has a long way to go before achieving its goal.

The Role of Hong Kong in the "One Belt One Road" Initiative

CHEUNG Sze Man, Jasmine, LI Ho Tai, Xavier and TSANG Tsz Wai, Vivian

Group photo with Prof Metaparti Prakash (left 2), project supervisor

CHEUNG Sze Man, Jasmine, LI Ho Tai, Xavier and TSANG Tsz Wai, Vivian were students of the Bachelor of Business Administration in International Shipping and Transport Logistics of the Hong Kong PolyU. This paper is a summary of their Capstone Project under the supervision of Prof Metaparti PRAKASH.

Introduction

The One Belt One Road (OBOR) initiative was introduced by the Chinese President Mr. Xi Jinping in 2013. The 'Belt' stands for The Silk Road Economic Belt, which connects China with Europe, the Middle East, the Indian Ocean, Southeast Asia and South Asia. The 'Road' refers to the 21st Century Maritime Silk Road which links China with Europe and the South Pacific Ocean. The OBOR initiative requires a huge amount of capital for investment in infrastructure projects and there are two current sources of financing in China, including The Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB). Hong Kong can be the third source of financing for the OBOR initiative because Hong Kong is situated at a favorable geographical location and can act as an international financial centre. There is enough capital in Hong Kong to support different financial investments. In addition, Hong Kong continues to promote the renminbi (RMB) offshore business. It acts as a platform to facilitate the global trade and enhance RMB business among those countries. Furthermore, different sectors of Hong Kong have the intention to participate in the OBOR initiative. The government will establish a Belt and Road Office and committee to coordinate the policies and the strategies.

1. Evaluate the investment needs of Hong Kong investors

1.1 Hong Kong investors are risk-takers

Hong Kong investors have been found to be risk-takers. As shown in State Street, one-fourth of the investors are willing to take a risk for a higher return and this figure is more than that in the Asia-Pacific region and globally. Also, they tend to invest in risky financial instruments, such as callable derivative warrants, which take up a higher percentage than other financial instruments. As the projects in OBOR involve many countries, they are more risky because of the possibilities of changes in international relations. However, since Hong Kong investors are willing to take a risk, they are more likely to invest in OBOR projects.

1.2 Hong Kong investors prefer to invest in local, Asian and Chinese markets

According to the Hong Kong Investment Funds Association, the assets managed in the Asian regions occupy three-fourths that of the total amount. It shows that Hong Kong investors put most of their investment in the Asian region. Also, it is observed that they mainly invest in equities and bonds in this region. Thus, investment opportunities provided by Asian countries, such as China, India and Indonesia, can attract Hong Kong investors because they prefer to invest there.

2. The competitive advantages of Hong Kong over Singapore

2.1 Stock market

Stock market size

The size of the market is reflected by market capitalisation. The market size has been larger in Hong Kong than in Singapore in the past 5 years. This is because the market capitalisation in Hong Kong is more than 3,000 billion while that in Singapore is only around 640 billion. Thus, equity financing is easier in Hong Kong than in Singapore.

Liquidity of market

The turnover ratio of domestic share in Hong Kong is as much as double that in Singapore. The higher turnover ratio indicates the better performance of the liquidity of market.

Ability of initial public offering (IPO) fund raising

Hong Kong's ability in fund raising is higher than that of Singapore. The amount of IPO indicates the capital raising ability of the market. In 2015, the number of newly listed companies in Hong Kong is as much as 10 times that in Singapore. It is evident from the above that Hong Kong provides an excellent platform for capital raising.

2.2 Political relations with China

Hong Kong is the largest RMB offshore hub

Having huge amounts of RMB holdings allows Hong Kong to support the fundraising activities under the OBOR initiative. Also, it is shown that the deposit and exchange quota for RMB in Hong Kong is far greater than in the other three hubs. Therefore, Hong Kong is able to support the fundraising for projects in OBOR, which requires a large amount of RMB for trading.

Connection of stock between Hong Kong and Mainland China

The Shanghai-Hong Kong Stock and Shenzhen-Hong Kong Stock allow more quotas for Hong Kong investors to buy stock in these two markets. It provides a channel for people to invest in Mainland China through Hong Kong. Thus, it facilitates the investment between Hong Kong and China.

2.3 Currency stability

The volatility of the HKD relating to the CNY has been lower than that of the SGD in the past three years, which means that the HKD is more stable with the CNY. However, the volatility regarding the INR and the IDR is similar for the HKD and the SGD. Thus, raising funds to invest in OBOR projects through Hong Kong is more stable in terms of currency stability.

2.4 Location accessibility to China

Hong Kong is located in a favorable position to access China. The total direct flight frequency per week from China to Hong Kong is triple that of flights to Singapore. Also, the direct flight duration from China to Hong Kong is around 3 hours to Hong Kong but it takes double that time to fly to Singapore. It is observed that Hong Kong has more a convenient geographical connection with China. As for the overall location accessibility of OBOR countries, over 70% of Hong Kong overall air passengers are from the member countries of OBOR. This indicates that Hong Kong maintains the international status of aviation-hub. Because of its convenient geographical location, Hong Kong is the preferred and most convenient choice. This may be the reason why only few respondents choose Japan or Singapore to raise capital.

3. Options generated and evaluation of options

Among 60 member countries of OBOR, a majority of people would like to invest in China projects. It can be seen that China has great potential for investment. People would also like to invest in Indian and Indonesian projects besides projects in China. As for the types of investment projects, nearly half of the respondents would like to invest in the projects of infrastructure development. Amongst the infrastructure projects, investing in railway and ports is more preferable. Hence, the railway projects in China and India, and the port projects in China, India, Indonesia and Malaysia are the potential markets for investors. The project which could generate higher return would be deemed the better project.

3.1 Port return

The amount of merchandise imports and exports

Compared with India, Malaysia and Indonesia, the amount of merchandise exports shows that China has greatly outperformed the other countries. Similar to the amount of merchandise exports, China has outperformed in terms of imports. Furthermore, to measure the container port potential, the coefficient of trade to container traffic has to be calculated, which is the responsiveness of the container traffic due to the change in 1 million trades. The result shows that India has the greatest responsiveness of trade to container.

The GDP growth rate

These four countries are promising in terms of GDP growth rate, especially China. Another calculation to measure the container port potential is the coefficient of container traffic to GDP, which is the responsiveness of the container traffic due to the change in 1 million GDP. The result reveals that India has the greatest responsiveness of GDP to container. Therefore, it is better to invest in India and China due to a higher return and a foreseeable upward trend.

3.2 Returns from railway

As for the revenue per passenger, it is indicated that the railway in China could contribute a greater revenue than Singapore. However, with regard to the revenue per ton of cargo, the Indian railway may generate more than 10 times that in China. Thus, it is shown that India has a better performance in generating profits from transporting cargoes than passengers. Compared with the total revenue, the Indian railway could generate around RMB 1,200 billion while that in China generates approximately RMB 450 billion. Thus, it is predicted that investing in an Indian railway project should earn a higher return.

4. Conclusion

The OBOR initiative is a long term plan integrating the economic and political strategies. Considering the role of Hong Kong, it has great potential to be the third source of financing and investing in the OBOR initiative. This result is concluded by the objective of

investigating the relationship between investment needs of Hong Kong investors, competitive advantage of Hong Kong, and evaluation of investment opportunities offered by the OBOR initiative. The study provides evidence showing that most Hong Kong investors have the intention to invest in OBOR projects It also shows that Hong Kong is more competitive than Singapore in terms of capital raising ability, and that Indian railway projects and Chinese and Indian port projects provide the greater return to investors.

5. Recommendations

5.1 Role of Hong Kong

Based on the data collection and result analysis, it is suggested that Hong Kong should focus on financing services, especially regarding direct investment in China's and India's ports and Indian railways due to the better return. However, there are political conflicts between China and India. It is suggested that the role of Hong Kong can shift from direct investor to an indirect role which could assist in raising capital for the OBOR initiative. Importantly, the political status of Hong Kong is neutral, meaning that Hong Kong should have a better political relationship with other member countries of OBOR such as India. Hong Kong can act as a buffer against China and India so as to facilitate the economic cooperation between them.

5.2 Risk consideration

First, the currency volatility should be considered. The more volatile the currency, the higher the risk faced by investors. Investors should be careful about the uncertainty of the exchange rate of the RMB. As for the currency risk of India, the IDR is expected to depreciate against the USD in the coming years. Currency risk would affect the attractiveness of the project and diminish its returns. Additionally, it is recommended to consider the regulatory risks especially in the foreign direct investment (FDI) restrictions. The FDI quota is around 10% to 30% in China (CCB International, 2015). India has loosened its FDI restriction to 70% or even 100% in some industries such as defense and the civil aviation sector (Goenka, 2016). It can be seen that the FDI restrictions in China are stricter than in India. Foreign investors may lose their power of control and suffer losses if they invest in China. It may reduce the attractiveness of investing in China. Moreover, the political risk should also be taken into account especially for infrastructure investment because it involves huge capital and thus higher risks.

5.3 Government support

To boost the development of the OBOR initiative, the Hong Kong government can provide support to it by giving information to the corporations such as economic status and political status in OBOR countries so as to raise the interest of enterprises. One of the ways to deliver the information to the industry is by organising seminars, to which people from the business sectors will be invited to share the prospects of the OBOR initiative. Besides, the government can also raise the awareness of the public towards OBOR. Since OBOR is a long term initiative, it needs the support of the younger generations. The government can encourage people, especially students, to explore the OBOR countries for better understanding of those countries. More schemes similar to the Funding Scheme for Exchange in the Belt and Road Countries can be launched for cultural exchange within OBOR region

Call for Articles for Jan 2017 Issue – Marine Insurance

CY Tung International Centre for Maritime Studies

The Maritime Business Insight (formerly "Maritime Insight") was launched in June 2013 under the CY Tung International Centre for Maritime Studies (ICMS). It aims to combine both theoretical and practical knowledge and promote collaborations among scholars and professionals in the maritime industry. It mainly covers article reviews of general interests to the profession with a special focus on different maritime concerns. We endeavor to summarise current maritime initiatives and to bring forward topics for further discussions in academic research whilst also offering implications to industrial players and policy makers.

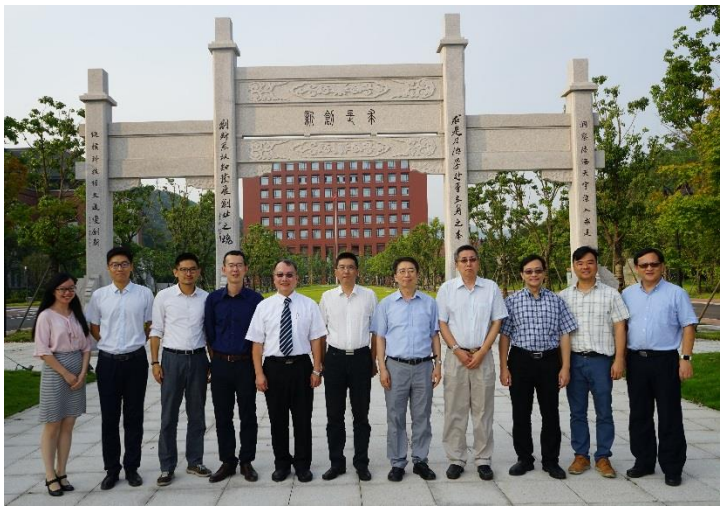
Interested parties are cordially invited to submit the practical article in Chinese or English. The article can be 2-6 pages long. For our January 2017 issue, we would like to focus on the topic of **Marine Insurance**.

Topics will include but not restricted to:-

- Hull and Machinery Insurance
- Shipowners' Liability Protection and Indemnity
- Charterers' Liability Protection and Indemnity
- Cargo Insurance (Institute Cargo Clause A, B or C)
- Loss of Hire Insurance
- Freight, Demurrage and Defence (FDD)
- War Risks
- Kidnap and Ransom Insurance (K&R)
- Crew Personal Injury Insurance
- Liability Insurance for Specialist and Offshore Support Vessels
- Average Adjusting (Free of Particular Average (FPA), etc)
- Loss Prevention

It is MBI's editorial policy to welcome submissions for consideration which are original. All submissions should not have been published elsewhere and not under consideration for any other publication at the same time.
You can provide a short bio (three to five sentences) at the end of the article and you may link to your company, blog and projects.
For submission of articles or enquiries, please email to editor.icms@polyu.edu.hk **on or before 15 December 2016**. For enquiries, please call Ms. Vicky Yip at 3400 3617.

CY Tung International Centre for Maritime Studies



Prof LU Chin-Shan, Director of the ICMS, Dr T.L. YIP, Dr Daniel NG, Dr LUO Meifeng, Dr Hans WANG, and Dr YANG Dong of Dept of LMS of PolyU visited Zhejiang University, China on 27-29 July 2016 to exchange views with academies there on various maritime issues including the OBOR initiative and ship voyage management problems (SVMP).

The delegation of the Education and Training Division of the China Council for the Promotion of International Trade visited the ICMS on 9 August 2016. They were received warmly by Dr T.L. YIP (left 1), Dr Anthony PANG (left 8, Prof Hong YAN (centre)and Dr Johnny WAN (right 8) of the Dept of LMS of PolyU.

Professor Manolis KAVUSSANO (middle) of Athens University of Greece, an expert in shipping finance, visited the ICMS on 2 August 2016. He was greeted by Mr. WONG Cho Hor, Director of Five Oceans Ltd. (left 1), Prof LU Chin-Shan (left 2), Dr Sik Kwan TAI of the Dept of LMS cum Editor in Chief of Maritime Business Insight (right 2) and Dr T.L. YIP (right 1).

Professor Nikos NOMIKOS (middle) of Shipping Risk Management at Cass Business School, City University of London visited the ICMS on 18 August 2016 and delivered a talk on shipping index. He was greeted by Prof LU Chin-Shan and Dr T.L. YIP.

The opening evening of the Institute of Chartered Shipbrokers (ICS) Hong Kong Branch was held on 8 September 2016.

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