

THE FEDERATION OF
NATIONAL ASSOCIATIONS OF SHIP
BROKERS AND AGENTS



FONASBA YOUNG SHIP AGENT OR SHIPBROKER OF THE YEAR AWARD

*The Collected Essays
From the Inaugural
2015 Award*

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INTRODUCTION

By the President of FONASBA



It gives me great pleasure to write the foreword to this first collection of entries for the FONASBA Young Ship Agent or Ship Broker Award.

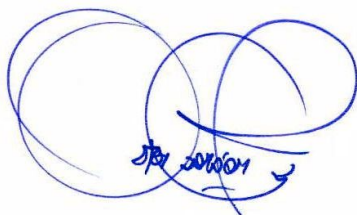
The Award was launched early in 2015 with the aim of encouraging younger members of our profession to look in detail at one or more aspects of the ship agency, ship broking or wider maritime sector and to research and produce a thesis level paper on that topic. In spite of the impact of relatively short deadlines for this first Award on the already limited time available to a working ship agent or ship broker, our younger members responded magnificently. The papers included in this eBook not only demonstrate clearly the diversity and depth of knowledge available within our membership, but also the interest and commitment of the authors to enhancing their knowledge and sharing it with others.

Just looking at the diversity of the subjects covered is more than sufficient to give an insight to the breadth of our profession. The papers ranged from broad brush investigations into the role of the ship agent today, to those looking at the specific issues for agents working in specialist environments such as river transport. Others looked at the impact of external factors, for example trading patterns, on our profession. The future of ship agency and ship broking was also a common theme, with more than one entrant venturing to suggest where our members will be in the mid-term.

Reading the papers also demonstrates the passion that our younger members have for our industry and their concern that whatever the future influences there are on it, the ship agent and ship broker will continue to play a vital role in the effective and efficient movement of goods by sea. With this level of commitment and enthusiasm being shown by our younger members, we can be confident that our profession is in safe hands for many years to come.

I now encourage you to read the papers and having done so, to urge our younger members to enter the 2016 Award, which is now open. The criteria for this year's Award, and the entry timetable, are reproduced on pages 182 to 184 and we look forward very much to receiving their entries.

Finally, I would once again thank all our 2015 entrants for their hard work and dedication in producing these excellent entries. Our congratulations once again go to Renan Queiroz for his winning entry, but whilst there can only be one winner, knowing that the efforts of each and every one of you has added greatly to the sum of knowledge available to FONASBA, its members and, through this publication, to the wider maritime sector, should make each of you as proud of those efforts as we are in being able to present them here.



Glen Gordon Findlay
President

INTRODUCTION

By the FONASBA Vice President for Education



As Vice President for Education, I am pleased to join with our President, Glen Gordon Findlay, in writing the foreword to this eBook celebrating the first Young Ship Agent or Ship Broker Award.

When we started this project we had some doubts about the level of support it would receive, especially given the demands of a 24/7/365 maritime service industry, but the seven entrants managed to carefully balance all the demands on their time and lives to produce seven well-written, balanced and detailed papers that together and separately stand testimony to the knowledge and enthusiasm of our young people. Through the publication of this eBook, we are pleased and proud to be able to demonstrate the depth of that knowledge and enthusiasm to the wider shipping community

I was honoured to be a member of the Award Review Panel, led by my colleague, Past President and FONASBA Honorary Member Gunnar J. Heinonen, and to work with him and Charlotte Kirk FICS, Commercial Director of our first sponsor ITIC, in reading all the papers. It was a pleasure to undertake this task and I was impressed at the level of understanding of our industry and the depth of the additional research that went into each and every one. Whilst there could be only one winner, each of the papers certainly met with the criterion that every entry to the Award should add to the fund of knowledge within FONASBA and there are a number of issues that have emerged and we will be taking these forward in the coming months.

I therefore thank all the entrants on behalf of FONASBA for their interest, commitment and enthusiasm and congratulate them all on their achievement.

Having acknowledged ITIC as our first Award sponsor, I also thank our colleagues at BIMCO for their support for the project and for sponsoring an additional prize.

This eBook marks the end of the 2015 Award and we are already open to receive expressions of interest for 2016 entry. With much more time allowed for subjects to be considered and research to be undertaken, we are hopeful that this second Award will see even more entries. FONASBA is grateful to both ITIC and BIMCO for reaffirming their support of the prizes for 2016 and Gunnar Heinonen and Charlotte Kirk have also agreed to join me on the judging panel.

We all look forward to reading the entries for the new Award and to once again having the difficult but enjoyable task of selecting the winner, whom we look forward to welcoming to the 2016 FONASBA Annual Meeting in London.

Capt. Jakov Karmelić
FONASBA Vice President for Education

INTRODUCTION

By the Chairman of the Award Review Committee



My colleagues on the Reviewing Committee and I were extremely impressed by the standard of all entries in this years' competition, which was consistently high across all the papers. After this encouraging start we hope that the 2016 competition will attract still more entries to prove the high standard of professionalism among young shipbrokers and agents. The future is yours and what better proof is there than to be able and willing to document one's views and visions. Good luck!

Gunnar J. Heinonen
FONASBA Honorary Member

AWARD SPONSOR - ITIC

ITIC has insured ship brokers and agents since 1925 (in its various previous forms of CISBA etc.). ITIC was founded by a number of prominent members of the Institute of Chartered Shipbrokers who were port agents and brokers in the UK. Having had 90 years' experience of handling claims involving brokers and agents we understand the importance of knowledge and education. We know that many of the claims brought to ITIC would not have occurred had the person concerned had a better training, or knowledge of the job they were doing.

In view of our consideration of the importance of knowledge ITIC has always tried to be involved with education or training. The team will provide loss prevention seminars directly to members in their offices, or more generally through the local ship agents' or brokers' association. We are also proud of our involvement with the ICS training courses, as lecturers, examiners and assessors.

We, at ITIC, were delighted when we heard that FONASBA wanted to provide an educational award for a young broker or agent and we were even more thrilled to be part of it, as part of the judging panel and as sponsor. At ITIC we firmly believe that if the depth of knowledge is gained early in the brokers' or agents' career, it will be with them for life. Knowledge at all levels improves loss prevention, reduces claims and therefore the cost of your company's professional indemnity insurance.

In 2015 Renan Queiroz was the winner of the FONASBA Young Agent and Broker Award for his enlightening paper on being a ship agent on the River Plate. It was a thoroughly well researched, well-structured and well written paper. Another paper considered as being very highly commended was on the differences of working on the River Danube by Aleksander Obucina. Some of the proposals contained in this paper were suggested for adoption by ECASBA within the context of the European Commission's inland waterways strategy. Through this paper, the FONASBA Young Agent and Broker Award could make a real impact to operations on the Danube.

We are looking forward to reading the papers for the 2016 entrants, which we hope will be as varied and as well written as the entries for 2015.

Charlotte Kirk FICS
Commercial Director, ITIC
and FONASBA Award Panel Member

The advertisement is a vertical banner with a dark blue background. At the top left is the ITIC logo, which includes a globe icon and the text 'ITIC SPECIALIST PROFESSIONAL INDEMNITY INSURANCE'. Below the logo, the main title 'PROFESSIONAL INDEMNITY INSURANCE FOR MARINE SPECIALISTS' is written in large, bold, white and light blue capital letters. Underneath the title, a smaller line of text reads: 'ITIC is the world's leading insurer for professionals who provide services to the transport industry.' Below this is a white silhouette of a ship. At the bottom of the banner, there is a line of text: 'Allow us to focus on your insurance so you can focus on your business.' followed by a list of services: 'Aviation | Consultants | Designers | Hydrographics | Marine | Offshore | Rail | Surveyors'. At the very bottom, there is a dark blue bar containing the ITIC logo, the website 'w itic-insure.com', the phone number 't +44 (0)20 7338 0150', and the Twitter handle '@ITICLondon'.

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BIMCO EDUCATION

BIMCO would like to extend our warmest congratulations to the Winner of the 2015 FONASBA Young Ship Agent or Broker Award, Mr Renan Queiroz.

We are proud to be a sponsor of the FONASBA Young Ship Agent or Broker Award and give the winner of the award the opportunity to join a BIMCO eLearning module of his choice. Mr Querioz has selected the Voyage Chartering module which started on 17 September, and has been a dedicated student on the BIMCO eLearning Diploma Programme.

BIMCO is committed to providing quality training and education to our members and the maritime industry employees, and is happy to support this great initiative to further the academic and practical training and education for young shipping professionals.

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THE ENTRIES

Renan Queiroz, Brazil

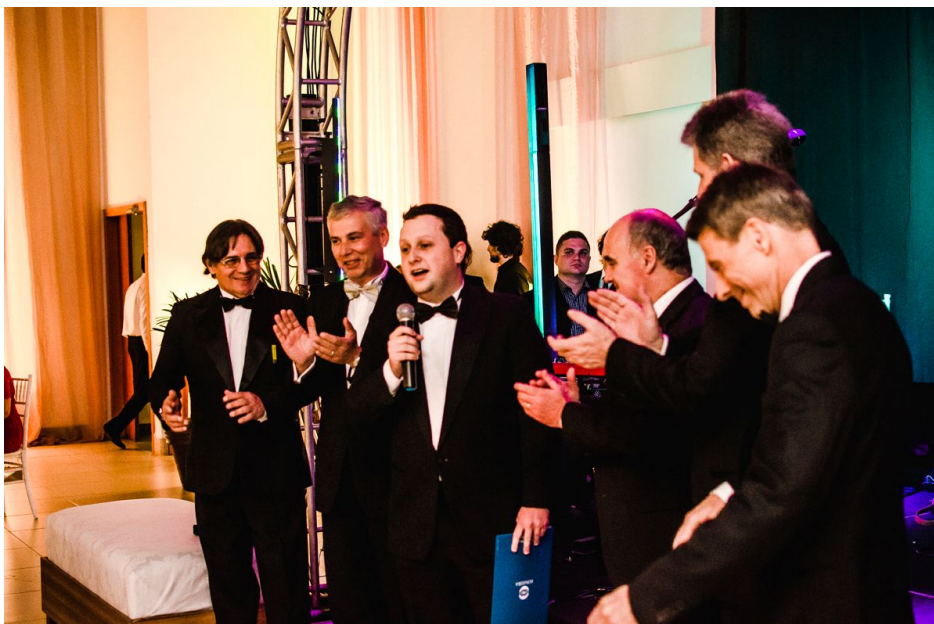
2015 Prize Winner



Renan Queiroz was born on April 10, 1991 in Fortaleza, Brazil.

He graduated in International Trade and has an MBA in Port and International Trade Management. He has been working in the ship agency business since 2010, with a track record of innovation and problem-solving by implementing different operational processes focused on the quality of the services provided.

He works in the operations department of Wilson & Sons Ltda. in Fortaleza.



Renan Queiroz receives the Young Ship Agent or Shipbroker of the Year Award at the Gala Dinner of the 2015 Annual Meeting in Vitória, Brazil.

Left to right: FENAMAR President Waldemar Rocha jnr., FONASBA Education Vice President Capt. Jakov Karmelić, Renan Queiroz, ITIC Claims Director Andrew Jamieson, FONASBA President Glen Gordon Findlay, BIMCO Deputy Secretary General Søren Larsen.

**YOUNG SHIP AGENT OR SHIPBROKER OF THE YEAR AWARD
FONASBA**

**THE ROLE PLAYED BY THE SHIP AGENT ON THE SHIPPING INDUSTRY
AND THE CHALLENGES FACED BY THE ACTIVITY WITH THE ADVENT
OF NEW GLOBAL TRENDS**

Paper submitted to FONASBA's
Review Committee for the Young
Ship Agent or Shipbroker of the
Year Award.

Renan Queiroz Magalhães Pinto

Fortaleza - Brazil

June, 2015

ABSTRACT

This paper seeks to describe the role played by the ship agent, showing its importance for the international trade as well as analyzing the challenges presented to this professional with the advent of new global trends. In order to do so, it briefly studies the history and development of the maritime trade as well as the profession of the ship agent. It presents in details the role played by this professional in the shipping industry aiming to expose its relevance to the sector while also analyzing the challenges presented to shipping agencies with the advent of new global trends impacting the activity. Therefore, it is a qualitative research based on documents and in the specific literature. Among the main results, we highlight the understanding of the relevance of this professional, who greatly contributes to the smooth operation of the maritime trade's logistic chain by acting as an essential link between the shipowners and the various characters that may interact with a ship when it reaches a port, and the conclusion that, despite the many challenges currently faced by ship agencies like the big financial strain suffered and imposed by shipowners and the advancement of the technology as a facilitator for the direct communication flow between shipowners and the service providers of the various ports which could reduce the range of services provided by this professional, there are still great opportunities for those professionals to redefine themselves by expanding its role in the international trade and adding value to the service provided.

Keywords: Ship Agent. Shipping. New Global Trends.

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INTRODUCTION

Since the establishment of international seaborne trade, at the dawn of history, the need for Shipowners (ship owners and their legal representatives or ship operators) to have in each port where their ship would dock a representative with extensive knowledge in various commercial and legal areas is observed. Then arose the occupation of the Ship Agent, an irreplaceable link in the communication chain between ship owners, port authorities and several other characters who interact with a ship when it arrives at a port.

Considering that according to surveys from the United Nations (UN, 2012) seaborne trade is responsible today for about 70% of the total value traded globally, the study concerning this professional, who acts as a vital link to the smooth functioning of the international logistics chain, becomes relevant.

The research method used for the preparation of this work was the qualitative research method in which we set out the generalization that the ship agent is an important professional for the international maritime trade, moving to an individualized issue, wherein we analyze the challenges presented to this professional, in order to reach a conclusion in which we have identified the majority of these challenges as well as possible ways to overcome them.

By the end of this paper we expect, therefore, to have answered the following questions: What is the role played by the ship agent in the international trade and what its real importance for the sector? What are the challenges presented to this professional with the advent of new global trends and how to overcome them to stay or even grow in the market?

The paper is divided into three chapters. The first briefly analyzes how the international maritime trade developed, allowing us to understand how important shipping is to the global trade and logistics. The second defines the ship agent, describing the role played by this professional in the international trade. The third chapter presents the challenges faced by the ship agent with the advent of new global trends. It is intended to complete this paper with the

certainty of the important role played by this professional and knowledge of the various challenges faced by the same with the advent of new global trends, as well as identifying ways to overcome these challenges, aiming at maintaining or even increasing competitiveness of ship agents in the international market.

1. THE SHIP AGENT AND ITS ROLE IN THE INTERNATIONAL TRADE

1.1 A brief look over the development of international maritime trade

Before describing the ship agent and analyzing its role in the international trade, we must briefly understand how important shipping is to the global trade and logistics. Shipping has indisputably great contribution to the international trade, being almost as old as trade itself. With the natural development of civilizations over time, the cargoes to be commercialized took greater proportions and ever more distant destinations. It was therefore necessary to use means of transport which could support and carry larger loads efficiently – the ships. For Anjos and Gomes (1992), it is possible to affirm that shipping is primitive, being directly linked to the history of civilization.

As for the origin and early usage of shipping as a mean of transportation, Machado (2002) explains that shipping with commercial intent began from the Middle East. According to the author, the first empire to settle in this niche was the Egyptian, who from 3200 BC, until its decline caused by the Persian, Macedonian and Roman invasions on around 30 BC used the Nile and the Red Sea as shipping lanes through which they sold the products of their agriculture and bought gold and ivory from Nubia, copper and precious stones from Sinai peninsula and also incense from the Somalian region. It was therefore inaugurated the so called incense route, which linked Egypt to Arab, India and Ceylon and through which diverse products such as silk, spices and furs were traded.

According to Vitral (1977), by the sixth century BC the Mediterranean Sea was full of trade routes: "trade ships were carrying foodstuffs, spices, various ideas, habits, wealth, utensils and humans from one country to another as a factor for the spread of civilization around the world". After the Egyptian decay, the Phoenicians became the sovereign people of the sea, later being followed by the Romans.

In modern times, around the fifteenth and sixteenth centuries - the Era of Great Voyages, the Portuguese people, according to Diegues (1993), were the first Europeans to trade through sea, being influenced by the rise of its enriched bourgeoisie that invested in shipping in order to trade with different parts of the world as well as other factors such as its good quality ports and relevant nautical studies in Sagres School.

Leveraged, among other factors, by the advent of technology, commercial shipping has developed and the world has become more interconnected commercial and culturally. The time required to travel distances was reduced, communications have been developed and the first steps towards capitalism and organized international trade were taken.

For Macdonald (2013), organised commercial shipping as we know it today really began during the Industrial Revolution in the 18th century. It all started in Lancashire in about 1760 and Britain virtually monopolised this lead until 1810. The nearest major port to all this early action was Liverpool and many entrepreneurs in that port saw the potential of shipping to meet the demands of raw products coming into Britain and the export of the manufactured product.

Rodrigue (2013) explains that, with the development of the steam engine in the mid-nineteenth century, ships were no longer subject to prevailing wind patterns. This attribute has contributed significantly to the growth of the maritime trade, being it today the most used mean of transport in international trade.

Surveys conducted by the Department of Economic and Social Affairs of the United Nations (UN, 2012) indicate that shipping is responsible today for 80% of the volume traded internationally and 70% of the total value traded globally.

It is therefore possible to conclude that the study of international maritime trade and its stakeholders is very important for society in general,

given that it currently takes a leading role in international trade, while also presenting growth expectations.

1.2 The origin of the ship agent

There is no clear record of exactly when and how the role of the ship's agent was established, though it is inevitable that there has always been the need for some sort of representative in distant ports to act on behalf of the shipowners.

With the growth in global scale of production of goods and services, arises the need for entrepreneurs to act beyond the physical limits of their establishment aiming a better placement of their goods. In this context, Chaves (2011) reports that in the early days, such funding was done through figures known as travelers, employees seeking customers in other places, distant from the business establishment grounds, but still attached to the permanent staff of the company, through the subordination of the employment contract.

Vitral (1977) explains that the captain of the vessel was, by the old Law, responsible for the clearance of goods carried and the delivery to the recipient. This practice, according to the author, delayed the ships in port and created unnecessary expenses.

Over time, these forms of action, through travelers or even ship's captains, were becoming insufficient to shipowners and also outdated, considering the advent of communication technology. Therefore, new contractual figures appeared - the agents. Representatives of the entrepreneurs, looking to improve the flow of their products and services. Lacerda (1984) states that in order to decrease the stay of their vessels in the various ports of the world, shipping companies decided to establish special agents in every port where their ships berthed, its agents, real employees subject to common rules of employment and intended to replace the master or the traveler in charge of searching for local customers, arranging cargo clearance and receiving freight.

According to Chaves (2011), the figure of the shipping agency arose with the clear scope to expand the business they represent and facilitate the attraction

of new customers, exercising the representativeness of the shipowner or operator. The author explains that its function is, briefly, to collaborate with the owner by acting as an auxiliary on their business in various ways, among which the attraction of cargo stood out.

We therefore conclude that the origin of the shipping agency activity is lost in time, without precise or specific records of when this business was born. The existence of shipping agencies in the world with over one century of business activity is noteworthy. In Brazil, for instance, Wilson Sons Agência Marítima Ltda. is present in the agency business for over 178 years.

1.3 The shipowners

As discussed earlier, the Ship Agent is, basically, a professional who represents the shipowner in ports before the port authorities. In order to better understand the role played by this professional in the industry, it is important to comprehend who is the shipowner, usually its main customer, and what are its main characteristics.

According to Gibertoni (1998, p. 105), the shipowner may be defined as follows:

[...] is the person or legal entity that provides the vessel, ie, fits the vessel with the necessary conditions for it to be used in a commercial purpose, and commercially operates it by making it available in the market.

On the origin of the shipowners, the author states that (p. 107):

[...] most owners come from a long line, usually family, which has been in shipping for a long time. In many cases, these families started in the fishing business. Not surprisingly, many of the nations with big representativity in the maritime transport (Greece, Denmark, Norway, ...) were initially fishing nations, who needed to learn how to survive at sea.

Similarly, Luna (2000, p. 73) defines shipowners as follows:

Person or company that, at their expense and responsibility, provides, maintains and commercially exploits merchant vessel, being or not its owner.

In summary, we can designate shipowners as legal entities that provide vessels (owned or not) for the execution of cargo transport between ports. They are the reason for the existence of the ship agent, and therefore, the main customers of a shipping agency.

2. THE ROLE PLAYED BY THE SHIP AGENT IN THE INTERNATIONAL TRADE

2.1 Concept

The shipping agent is considered, according to Anjos e Gomes (1992), a legal entity that serves shipping companies at the moment they can not, regardless of any reason, perform services that would fit its duties. The ship agent may also be classified as an auxiliary of shipping companies, not to be confused, however, with the navais such as pilotage and towage.

Luna (2000) defines the ship agent as follows: "Company or person who negotiates cargoes for ships or agent who works as a representative of an owner".

FEMAR (2010, p. 22), in a more specific and current way, defines the ship agent in the following manner:

The ship agent can be conceptualized as the one who represents the shipowner or charterer, or both simultaneously, being responsible for attending and clearing the ship in port, as well as being in charge of business and operational transactions to which the ship is intended, in addition to assisting the captain in the practice of legal and material acts needed by the ship, crew and the continuation or termination of the voyage.

In another current concept, Wanzeler (2012, p. 10) designates a shipping agency as follows:

Legal entity accredited by the port authorities, technically able to handle the paperwork for entry and exit of ships, receive freight, prepare the

documentation related to the loading and unloading operations, defend the interests of their principal (be it the shipowner, the charterer, the crew manager) before the authorities and intermediate the execution of the requirements applied by the competent authorities.

Among other services provided by the ship agent, Anjos and Gomes (1992, p.15) find the following worth mentioning:

Arranging vessel's clearance before the diverse relevant Port Authorities (Port Health, Customs, Immigrations, Harbour Master, Agriculture Ministry, etc); coordinating the embarkation and disembarkation of crew members; arranging pilots, tugs, mooring, ship chandlers, clearing spare parts, etc. As an auxiliary to his principal, the agent may also be in charge of contracting port operations, arranging cargo clearance, among others.

According to FENAMAR (2003), arranging inward and outward clearance for the attended ships, issuing cargo manifests and bills of lading, taking care of health, safety and other matters related to the ship's crew, keeping concerned parties (Port Authorities, cargo receivers, shippers, owners, charterers, etc) duly informed of vessel's prospects, coordinating salvatage services, providing guidance to ships on the prevention of environmental accidents, inspecting cargo condition and requesting pilotage, towage and mooring services are among the many activities carried out by ship agents on daily basis.

In a similar manner, Wilson Sons Agência Marítima Ltda. (2013, p. 8) lists the following functions of a shipping agency:

Preparation of all documentation and arrangements for the arrival and departure of the ship in the port; issuance of the necessary documentation; assistance in marketing and booking cargo on behalf of the principal; monitoring of the ship's loading or discharging operation; assistance to the ship and crew while in port; preparation of the disbursement account covering the costs involved during vessel's stay in port.

In a very punctual and current manner, Macdonald (2013, p 40) indicates that the main objective of a shipping agency is to maximize the client's voyage return through:

The provision of relevant operational/market information; the efficient dispatch of the vessel through proper planning and control; proactive management of cargo handling; accurate and regular communication; tight vendor management and cost control and efficient fund management.

As we have seen, the commercial success of the agency's principal depends directly on the time his ship spends in the port. It is therefore a duty of the agent to ensure that this time is brought to a minimum, thus maximizing his client's return. The ship agent plays, thereby, an essential role of communication between owners, ships, port operators, customs brokers, cargo terminals, importers, exporters, among others, being vital on ensuring the quickest and smoothest turnaround to their vessels under the lowest possible cost to his principals.

This professional must, therefore, possess vast knowledge in the operational, commercial and legal fields related to port activities as he is responsible for providing all records and documents necessary to a ship's smooth turnaround. It is also worth mentioning that the work of this professional starts days or even weeks before vessel's berthing at the port of destination to carry out its intended operation.

2.2 Ports - The ship agent's working environment

The port is naturally the main working environment of a ship agent. It is therefore necessary to study what reasons lead ships to use ports in both the shipowner's and the vessel's crew point of view.

To the shipowner, captain and crew of the ship, the port offers a wide range of services. The main customer of the ship agent will usually be the owner (owner or operator of the ship). However, the main representative of his client with whom the agent will make contact is, of course, the ship's captain. Thus, the agent will provide support to the captain, officers and crew of the ships. It is therefore essential to study and understand the needs of these individuals.

According to Macdonald (2013), among other reasons why a ship looks for a port, the following are worth mentioning:

- A place to load or discharge cargo: The main purpose for a port is to facilitate trade and ships will seek a safe berth to load or unload their cargoes.
- A place to change the crew: Ships regularly need to change crew members as their contracts on board eventually expire and, in some cases, due to injury or for compassionate reasons.
- A place to carry out repairs: Ships require regular and planned maintenance and some of this work has to be carried out in the shelter of a port where facilities are available to assist in this work.
- A place to carry out surveys and periodic inspections: Ships are subject to a number of inspections (some of them mandatory to permit them to trade legally). These could be Government surveys and audits, Classification surveys, Insurance inspections, Condition surveys, among others.
- A replenishment facility: A ship may call in to a port for the sole reason of replenishing her fuel, oil, fresh water, stores, spares and supplies. Most ports can handle all these amenities and have an infrastructure of suppliers and service companies to support the ship's needs.

The ship agent is fundamental for the coordination of the above mentioned services. He will be responsible for taking care of all necessary formalities for the ship to berth and unberth smoothly. He may also take part on hiring or indicating service providers for the ships, among other functions.

2.3 The ship agent in the eyes of law

As discussed, the ship agent's function arose from the need for the owners to be represented in the various ports where their ships berth, with the agent acting as a commercial representative of the owner.

According to FEMAR (2010), the legal relationship between the shipowner and the ship agent is mandatory, given that it is a conventional

representation arising from a contract and is intended to assist, defend or administrate owner's interests.

D'Antonio (2007) considers important not to confuse, however, representation with assignment of responsibility since the actions of the ship agent occur for and on behalf of others thus for the account and "order" of the shipowner. According to the author, the activity exercised by the ship agent affects only the owner and therefore this professional can not be held liable for the acts performed in the exercise of his duty nor for the acts of the shipowner.

In the same vein, FONASBA's Standard Agency Port Conditions states that unless otherwise asserted in writing, the Agents acts at all times as agent for and on behalf of the Owner and has authority to place orders with suppliers as agent for the Owner. The Agent shall not be personally liable to pay any debts due to suppliers from the Owner.

We may conclude that the ship agent carries a strictly mandatory activity and as such, speak and act on behalf and for the account of the owner. It is therefore the owner who will contract obligations and acquire rights as if he had personally taken part in the legal business.

It is important to highlight that the principal and agent may enter into a contract defining the relationship, but more often, in the case of tramp port agents, the terms of the relationship will be implied from the customs and businesses practices prevailing at the port. In a practical manner, Weiss (2014) explains that certain duties are implied by law. The agent must be loyal; this means not acting for himself, not acting for a party whose interests are adverse to his principal's, not acting for more than one principal unless both parties have been informed and given their consent, and not divulging secret information.

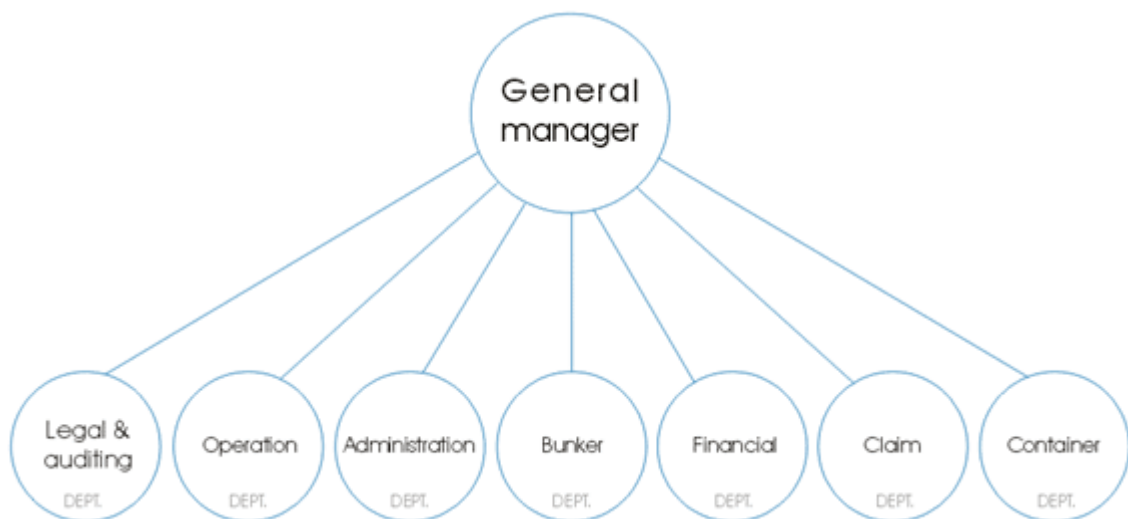
The author also indicates that the agent must give prompt notice of all facts affecting the subject of the agency. He must follow his principal's instructions, and failure to do so may make the agent liable for any loss the principal suffers thereby. The agent must account to his principal for all money or property entrusted to him and should not commingle funds of his principal

with his own. The principal must compensate the agent for the services rendered and must reimburse him for all expenses incurred on his behalf, and he must indemnify the agent for any loss or liability incurred as a result of following the principal's instructions. Anything a principal is empowered to do may be assigned to a ship agent who then performs the designated acts on behalf of the principal.

Thus, we conclude that regardless of any considerations about the legal nature of the shipping agency activity, as a rule the ship agent is not liable for acts committed by the shipowner or carrier, unless he fails to follow his principal's instructions, ie, acts outside the limits disposed in the contract.

2.4 The structure of a shipping agency

Shipping agencies are basically divided between the following services and departments: Operations, Documentation, Commercial and Financial.



Picture 1 – Example of structure of a shipping agency
Source: ALBAHAR ALMUTAWASET (Mediterranean) Shipping Agency (2005)

The operations department is, according to Wanzeler (2012), the sector which is usually in close contact with port, ship, cargo, crew, port operator, port authorities and other concerned parties. This department is in charge of attending the ship and its crew before, during and after its stay in the port, being responsible for keeping stakeholders well informed of ship's estimated times of

arrival and coordinating with all concerned parties ship's berthing, operation and sailing. This department shall always aim to guarantee a smooth turnaround to the attended vessels i.e. making sure no unexpected delays are observed during ship's call by acting in a proactive manner. This is the frontline of the agency.

According to Wilson, Sons Agência Marítima Ltda. (2013), the documentation department is responsible for the issuance of the main export or import documents, also taking care of the claims over ship or cargo that may arise. This sector is expected to comply with all the instructions from the shipowners as well as the laws that regulate domestic and international trade. Thus, the documentation department contributes on reducing the occurrence of possible agency liability issues. Among the main functions of this sector, we can mention the issuance of bills of lading (B/L) in the export trade.

The commercial department is responsible for searching potential new customers and markets as well as maintaining a good relationship with the portfolio of current clients. This sector may also act on the attraction of cargoes on behalf of the agency's principals. Major agencies have representatives throughout the world. To Wanzeler (2012), this department takes care of the company's relationship with customers, authorities, service providers and attraction of new customers.

Macdonald (2013) explains that the agency's financial department manages all revenue and expenditure related to the ship's call in the port. It also may play an essential role on requesting funds to shipowners prior to ship's arrival at a port in order to be on the safe side when hiring the diverse service providers involved on vessel's call. According to him, today, agencies need a very well structured financial sector so that the owners can receive full disbursement reports of their ships in a given port as soon as possible. Clearly then, the financial department is a hard working essential part of the overall service as it also covers the financial aspects of all the other departments. It is not unusual to find that the accounts department is the largest section of the office in terms of staff.

Of course, a seamless integration between all sectors of the agency is necessary so that all tasks are met with the precision and speed required while maintaining a good flow of information.

2.5 Tramp and Liner Trades and their influence over the agency business

The employment of cargo ships is, generally, divided into two approaches:

- scheduled liner trades
- open market tramping operations

Hummels (2007) states that the shipping of dry cargo (non-greasy) consists of two distinct markets: tramp, traditionally used to transport bulk cargoes through charter parties and liner, commonly used in general cargo transportation - all types of general cargo, except when in large quantities - and following fixed routes according to predetermined schedules.

To Cortiñas Lopez (2007, p 469-470), the services offered by Shipping Companies are characterized as follows:

Regular: operated under a pre-established trade route, being the most important component of the international shipping system.

Irregular: it is basically characterized by the absence of a certain route (line) and is operated by a shipowner acting on its own account, according to a itinerary established according to the business opportunities arising in each port. The vessel operating in this situation is known as a tramp. This type of service is widely used for the transport of bulk cargo.

Metaxas (1972), on the other hand, explains that taking into account the type of demand that a particular type of ship is designed to supply, it can be said that: "Any vessel that has no fixed route in the long term and mainly loads dry cargo in bulk (unpackaged) for relatively long distances and from one or more ports to one or more ports is a tramp vessel".

In a similar concept, Macdonald (2013) explains that shipowners will make their vessels available in the market place through one of two broad routes.

One arises from what was traditionally known as the common carrier where the shipowner operates their own and chartered vessels on a fixed and published schedule; a system known to a ship's agent as the liner trade. The author indicates that the alternative is the private carrier, which does not operate on a fixed sailing schedule, but trades in all parts of the world in search of cargo, usually bulk cargo. Complete shiploads of things like iron ore, coal, grains are carried. The tramp companies are usually smaller than the liner companies and they are very knowledgeable about the markets in which they operate. Their vessels are engaged under a document called a charterparty, on time or voyage basis.

Salgues (2008, p 72), exposes this difference as follows:

There are two basic types of trade in the shipping business.

Common Transport: shipping of goods covered by a "bill of lading", "waybill" or the ship's delivery order. The following are characteristics of the common transport of goods: a) the carrier undertakes the responsibility to transport public goods (for anyone) to and from the ports, in addition to dates, announced (via commercial or advertising); b) the remuneration for his services is the freight, which must be paid by the shipper or otherwise by the consignee or importer of the goods; c) the area of operation should not be sporadic;

Private Transport: chartering or shipping of goods covered by a voyage or time charter. The time charter is characterized by the hiring of a vessel for a specific period of time while the owner still manages the vessel but the charterer selects the ports and directs the vessel where to go. Voyage charter, on the other hand, is the hiring of a vessel and crew for a voyage between a load and a discharge port. The charterer pays the vessel owner on a per-ton or lump-sum basis.

We therefore reckon that, as a rule, the tramp trade has a private character while the liner trade has a public character. In addition, we also conclude that vessels may follow a fixed route according to a predetermined schedule or not, being thereby categorized into two types: *liner*, in which the vessel follows a pre-defined route - for example, container ships usually follow a fixed route set prior to the freight agreement. The other category is the *tramp*, in

which the vessel will follow a route defined at the time of agreement between the owner and the charterer - used for cargoes that occupy most of the ship, which is normally dedicated exclusively to the cargo being carried. Large quantities of bulk cargo such as coal and iron ore are typical examples of cargoes usually transported in this trade.

It is deemed important to understand this distinction given that it directly affects the shipping agencies. In the liner trade, the shipping agency may also belong to the same economic group of the shipowner, often also operating under the same trade name. As an example, we may recall Maersk Brazil as an agent in Brazil for the Danish shipowner *Maersk Line* as well as Aliança Navegação e Logística as an agent in Brazil for the German Group *Hamburg Süd*. This is common on the liner trade when the shipping companies know exactly, or with considerable sense, when and how often their ships will call a particular port and may consider the establishment of a profitable company / office in that location.

Macdonald (2013) explains that the liner agent invariably work under a written contract agreed between themselves and the liner operator. The scope of their duties will be enumerated within the agreement – for instance, a standard basic form is produced by FONASBA. Considering that the ship is operating under a line on that port, the shipowner will not only need an agent to attend to the port call, but he may also be engaged on finding cargo i.e. a marketing service before local importers, exporters and cargo agents. On the tramp trade, the tramp operator uses brokers who operate in a regional or international market to find cargoes for their ships. The author also indicates that the remuneration of a liner agent is generally a commission on freight, sometimes there is an extra payment for ship's husbandry.

There are also independent shipping agencies, representing various owners and attending in both shipping trades, whether Liner or Tramp, such as the Wilson Sons Group, founded in Brazil in 1837, being therefore one of the oldest companies operating in the country. These agencies may also operate in the Tramp trade only. This kind of agent is usually appointed under separate contracts for each vessel he attends on behalf of each principal and is important

to highlight that once his duties for a particular call are fulfilled he has no further authority to bind the principal in contract with any third party. The remuneration of such agent is known worldwide as Agency Fee, a value previously agreed between the involved parties for the accomplishment of that particular service, usually paid in dollars.

It is concluded therefore that there is a slight difference between the characteristics of the two types of services, but an agency may act in both trades.

2.6 Shipping agencies acting as facilitators in the tramp business

For a shipowner or operator to determine the profitability of a specific voyage, a large number of factors must be considered. On top of this list is the issue of port restrictions, the estimated length of stay of the ship in the port and the port costs. Shipowners will then constantly refer to the ship agents, local experts, with respect to information regarding the port restrictions. From there, the owner will decide on the type and size of ship to use on a voyage. In another practical example, information such as the estimated length of stay are also of great importance to the owner so that he can set the hire value of his ship or even the feasibility of the business.

Thus, owners will usually look for reliable tramp agents able to inform estimated port costs, current port restrictions and estimated portstay before fixing a business. Therefore, the veracity and accuracy of the information provided by the agent is of vital importance to the owners. In addition, it is also very important for agents to provide this information swiftly, given that businesses may be lost if competitors provide the necessary information in a shorter space of time.

According to Weiss (2014), while it may appear mundane, one of the agent's important duties is handling communications between the vessel, its owners, and other interested parties; the satisfaction of his principal, as well as future appointments, will in a large measure depend on how well he keeps the owner informed of the vessel's movements and prospects for completion. We

may realize that this information is essential for the shipowner in the negotiations of future businesses.

We conclude that ship agents play a key role in tramp shipping as they are responsible for providing vital information for both owners (or operators) and charterers. The agent may be considered therefore a facilitator in tramp shipping by providing essential data to his principals such as vessels estimated portstay, port costs and restrictions.

2.7 Types of agency appointment in tramp shipping

Previously, we saw that the main customer of the shipping agent is the shipowner as he is responsible for their appointment and payment. Important to note, however, that the ship agent is not always indicated by the shipowner. In the tramp trade, the agent is usually indicated by the party who is in the strongest bargaining position when negotiating the fixture, be it the shipowner (or operator) or cargo owner (charterer). Macdonald (2013, p 89) exemplifies the situation as follows:

When the market is “strong”, i.e. there is more cargo available than ships, the shipowner will not only be able to secure a higher freight rate but he will also be in a position whereby he will be able to exercise his rights and retain the choice of port agents. However, despite all the equitable reasons why the choice of agent should rest with the shipowner, it is an unfortunate fact that for most of the last 50 years the freight markets have never remained in the owner’s favour for very long. Consequently, the option of choosing the port agent has passed from the owner to the charterer.

Weiss (2014) takes the same path:

Traditionally, it is up to the vessel owner to appoint the agent. Frequently however the charter party will stipulate “Vessel to be consigned to Charterer’s Agents,” which is what the brief wording “charterer’s agents” means, but is preferable for clarity. This, in effect, requires the owner to appoint an agent chosen by the charterer. The agent so appointed becomes the agent of the ship and is responsible for performance of all the usual tasks of an owner’s agent, including such husbandry as may be asked of him. The agent may also be the agent of, and have duties to perform for the charterer:

for example, the arranging of the loading and/or discharging of the cargo under an FIO charter. In these matters, the agent will be instructed and reimbursed by the charterer, but is still entitled to look to the owner for payment of his agency fee for acting as the vessel's port agent.

Even though the agent may sometimes (or most of the times) be appointed by the charterer, the owners will usually be responsible for the payment of the agency fees, with very rare exceptions.

Macdonald (2013) explains that there are strong arguments in favour of the charterers having the right to select agents in some instances. Foremost among those arguments is that tramp ships by their very nature carry opportunist cargoes. Therefore, there is a possibility that the shipowner's vessel will not have regular calls to any specific port and so they have not been able to establish any relationships with the port agents there. Secondly, the charterer's choice may have specialist knowledge or contacts that are essential to the success of the port call. Alternatively, the charterer may be bound by a prior sales contract to use the service of the shipper's or the consignee's favoured agent.

In this sense, differentiations in the types of ship agents arise. If an agent is appointed by a shipowner or operator, without any interference by the charterer, the agent is called *Owner's Agent*. Shipowners will typically look for reputable and economically viable agents to represent them. The Owner's Agent will be responsible for all aspects related to the ship's call at one port, being the owner or operator responsible for all expenses related to this call.

In case the agent is appointed by the owner by choice of the charterer in the charter party, he will then be called *Charterer's Agent*. In this situation, the agent is nominated by the owner by request of the charterer; the owner must then

hire the agent regardless of his opinion regarding the service of the same. However, that does not deprive the agent of any of the usual obligations with the shipowner. According to Macdonald (2013), it is important to realise, especially for the agent concerned, that the owner and not the charterer is the agent's principal.

Once again we highlight that although the agent may be nominated by the charterer, his principal is still the owner. Weiss (2014) reiterates:

Even if nominated by the charterer, the ship's agent must be unbiased in his actions and represent the shipowner just as if he were directly chosen by the owner himself. In some cases, however, owners will appoint a second agent to watch over the agent nominated by charterer in those areas where there might be a conflict of interest. Such an agent is called a protective agent, and in this case, the owner will have to pay two agency fees. Sometimes the protective agent is one with whom the owner has a longstanding relationship, and he may also be instructed to take care of husbandry matters.

The agent is, therefore, obliged to act always in the best interests of the owner regardless of whether or not this brings him into conflict with the charterer.

There are also cases in which the owner appoints a *Protective Agent*, when he has already appointed another agent chosen by the charterer. In this case, the owner may appoint his own choice of agent to monitor the actions of the charterer's agent as well as all the costs involved in the port call, or even take care of crew changes, provide cash to the vessel, etc.

FEMAR (2010, p 24) defines this type of agent as follows:

The ship agent may also act as an owner's representative only, in which case he may be in charge of several tasks such as embarkation and disembarkation of crew, payments to the master or crew onboard, provisions supply,

coordination of bunker and fresh water supply, etc. Captain and crew will be assisted by the agent, which, in the event of adverse conditions, should provide immediate assistance. Note that all expenses will be taken by the agency on behalf of the owner. From a legal point of view, the owner will be the one liable to the third party provider of services.

Wanzeler (2012, p. 10-11), on the other hand, describes the protective agent as follows:

Appointed to defend the interests of the shipowner. Not necessarily involved with cargo documentation, handling items like: crew changes; embarkation of technicians or passengers; health assistance to crew members; consular transactions; garbage disposal; renewal of certificates; fresh water or bunker supply; arranging repairs on board; handling fines; assistance to ship's captain in the handling (signature) of documents that can generate further disputes, among others.

Wilson Sons Agência Marítima Ltda (2013, p. 11) exposes this case as follows:

In cases in which the charter party stipulates a Charterer's Agent, it is common for shipowners to appoint an agent to protect their interests, especially when: he does not know well the charterer's agent; he believes port costs are too high; there are disputes with the charterer. The protective agent may also be appointed to look after crew changes, handling of spare parts, supervision of repairs, inspections, receiving owner's funds for a port call, among others.

We may therefore conclude that, although there are cases where the agent is appointed by the charterer, as a rule he will be paid by the owner or operator i.e. the owner is always the agent's principal.

In this sense, it is of vital importance for any agency to establish a good relationship with both players: charterers and owners. Considering its relevance, this matter will be discussed in further details later on in this paper.

2.8 Operational procedures related to the arrival, berthing and sailing of a vessel

As mentioned earlier, the work of the ship agent may start even weeks before the arrival of a vessel in a port. Wanzeler (2012) explains that the Agent shall keep all stakeholders duly informed of ship's position, its estimated time of arrival (ETA), estimated time of berthing (ETB) and estimated time of sailing (ETS) as well as contact and hire the companies in charge of assisting vessel's Captain in the berthing and unberthing maneuvers, such as pilotage companies, tugboats, mooring gangs, among others. In some cases, the agent, always acting on behalf of the owner, may also be responsible for the hiring of port operations - In most of the cases this is a responsibility of the cargo exporter or importer.

To Macdonald (2013, p. 49), the following procedures are to be taken by the Agent prior to a vessel's arrival:

On receiving instructions from the principal the ship's agent is to see that all arrangements are made ready to safely berth or meet the vessel with the minimum of delay. All the necessary authorities will have to be notified. [...] The ship's agent must ensure that the ship can remain safely berthed during her stay and the full range of cargo operations and changes in the ship's air and water draught and stability can indeed be accommodated at the allotted berth. [...] The agent may also be responsible to assist in marketing and booking cargo and passengers on behalf of the principal for the port or agreed regional territory.

Weiss (2014) explains that, in representing the shipowner, the agent does whatever the shipowner would do if he were in the scene in order to grant a smooth turnaround to his vessel:

On the vessel's arrival, the agent will arrange and instruct the vessel where to berth or anchor. He will engage a pilot, tugs, and line handlers, and attend to any necessary government formalities. Under gross charters, he will arrange stevedores for loading and discharging the cargo, and under FIO charters will often be empowered to do so on behalf of shippers or receivers. During the vessel's stay in port, the agent will attend to the vessel's husbandry, making whatever arrangements necessary for crew medical treatment, shore passes and repatriation, bunkering, repairs, and customs clearance of ship's stores

and spares; when the ship is ready to sail again, he will arrange necessary outward clearances, and again engage tugs and a pilot for sailing out. By custom, the agent is recognized by all concerned in the port as the shipowner's representative with full authority to make these arrangements.

Upon ship's berthing, the agent will be, if not the first, one of the first persons to board the ship and shall instruct the ship's captain regarding any authority visiting the ship, the necessary documents to be presented and any inspection that may take place. Considering that one vessel may have been at sea for several days before berthing, the agent will invariably receive a number of requests from that ship - These requests may range, for example, from bunker supply to the disposal of garbage. As discussed earlier, during the vessel's stay the agent may also be responsible for coordinating crew changes, which involves immigration issues which the agent should have vast knowledge of.

When the ship is ready to depart, the agent will also be, if not the last, one of the last persons to leave the ship and should, as in berthing, coordinate ship's unberthing in the most efficient way by obtaining the clearance of the vessel and arranging pilots, tugs and mooring gangs in time. According to Wanzeler (2012), it is important that before a ship's unberthing, the agent has certified that any stoppages that may have occurred during ship's operation has been documented; observed the criteria and restrictions of each terminal/port for ship's unberthing; obtained from port operators the exact figures relating to the operation for filling the required cargo documents (Statement of Facts, Notice of Readiness, Cargo Manifest, Mate's Receipt, etc.).

After the departure of the vessel, the next phase of work is to collect all relevant costs related to the ship that were not paid by the ship itself and pass them to the owner through a disbursement account.

Thus, we may conclude that before a ship's berthing, it is important that the agent has ensured the relevant documentation is complete, the tugs, mooring gangs and pilots are scheduled and that the port operators and other service providers are on alert for the commencement of the operation. The agent will also have informed ship's captain of all peculiarities concerning that port, such

as access channels, convenient time and location for pilot's embarkation for the berthing maneuver or any document necessary or required by local authorities to be presented on board upon berthing. During ship's stay in the port, the agent will make sure that the cargo operations are running smoothly and keep all concerned parties duly informed of the sailing prospects. He will also attend various ship's matters such as crew change, cash to master, repairs on board, among others. Upon completion of the cargo operation and considering no other services are taking place and the port clearance, which involves presentation of a large set of ship's documents to the port authorities, has been obtained, the agent will coordinate vessel's unberthing by arranging all services related to the vessel's movement through the port (pilots, tugs, mooring gangs). After ship's departure and not least, the agency will prepare the ship's final disbursement account in order to receive any funds due by the shipowner – the agency will preferably have received an initial remittance prior to ship's berthing.

2.9 The importance of the ship agent in the international maritime trade

After analyzing the role played by the ship agent in the international maritime trade and in response to the first question raised at this paper's introduction, we can now state as a fact that the ship agent is a very important professional to this segment. Shipping agencies contribute greatly to the commercial success of shipowners by acting as an indispensable link in the communication chain between the shipowner and the various players that interact with a ship when it is due to call a port.

The ship agent is directly responsible for maximizing the efficiency of a ship's voyage to its owner through the provision of relevant information on the market and operational issues, the efficient dispatch of the ship through proper planning and control, proactive management in cargo handling, regular and accurate communication before all parties involved in the ship's call at a port, efficient management of funds and cost control. Thus, by acting in the name and interest of shipowners in various ports in the world and being responsible for coordinating all aspects of a ship's call in a port, this professional definitely plays a key role in the logistics chain of the international trade.

3. THE CHALLENGES PRESENTED TO SHIP AGENTS WITH THE ADVENT OF NEW GLOBAL TRENDS

3.1 Context

The advance of globalization, more flexible tax regimes and an increasingly mobile workforce are creating new opportunities and challenges to the shipping industry. New strategies and corporate processes are required to deal with an industry that is being constantly reshaped through market consolidation and changes in the global trade balance. The importance and appreciation of sustainable profitability in several sectors, the operations becoming increasingly international and increasingly sophisticated tax authorities are leading shipping companies to meet new and more effective ways to align their corporate, operational and tax structures.

The shipping industry is highly cyclical and has historically experienced significant volatility in freight rates, ship values, return to shareholders, among others. As a natural consequence, the shipping agency business is also very volatile, experiencing ups and downs throughout its course. The industry is highly affected by changes in the international economic and political environments. The increase and emergence of new regulations, the volatility of international financial markets, the risk of piracy (both at sea and Internet), technological advances and environmental concerns were incorporated into a business environment that was already highly challenging and volatile, which puts even the stronger shipping companies to the test.

For companies to maintain or even achieve the desired success, all risks involved must be evaluated and controlled. Shipping agencies should therefore adapt themselves quickly and effectively to the major changes being observed throughout the world, both with regard to maritime transport as to the port operations system.

In a tough economic time worldwide, financial pressure is something experienced by all shipping companies and, as a consequence, by all shipping

agencies. The search for solutions that add value to the service provided by the shipping agency combined with the reduction or more efficient allocation of costs to the shipowners have naturally become increasingly important.

Along similar lines of thinking, Macdonald (2013) understands that the traditional role of the ship agent in the shipping industry has been under constant threat. According to the author, the challenge is to clearly articulate a way for shipping agencies to continue adding value to their service.

In this context of constant changes and new challenges posed to the shipping industry and, consequently, the international trade, the analysis of which factors and trends should be taken into account for shipping agencies to adapt to these changes and overcome the challenges presented becomes relevant.

3.2 The impact of information technology

In recent decades, the shipping industry and therefore the shipping agency sector is undergoing constant change caused by the advent and growth of information technology. Advances in technology have changed the systems and consequentially the form of exploitation of information. The ability to exploit this information through radically new ways fundamentally changed the role and structure of the industry as a whole.

New trends are evident, therefore, with the growth of information technology. These changes bring dangers and, of course, opportunities for shipping agencies. Heaver (2001) believes that one of the new trends with the advent of technology is for shipping companies to increasingly assume direct responsibility in functions that were previously from the agency. In line with this, we note that a “new” danger for shipping agencies is that their customers can now, through improved forms of communication (internet, e-mail, etc.), have increasingly the option of hiring port services directly, which may end up leaving the agents with only the most basic and of minor importance functions in port operations, considerably reducing the value of their services, which would result, of course, in the fall of the amounts paid to the agencies, the agency fees.

On the other hand, advances in systems and communications technology can bring great opportunities to this professional to reset and expand its role in international trade. Macdonald (2013) understands that to remain as a relevant "player" in the market, the agencies must invest in developing integrated communications systems. According to the author, the scale of this investment is probably what will determine whether the agency will remain on the market or not.

Throughout our study regarding the role played by ship agents in the shipping industry, we acquired the perception that quality, accuracy and speed of information are perhaps the greatest demands from shipowners or operators and are therefore items of great importance to maintaining the competitiveness of a shipping agency. Thus, investment in integrated communications systems is key to maintaining or even increasing the competitiveness of the agencies. According to Macdonald (2013), all major international shipping agencies have invested in this segment, primarily through the development of modern financial and operational systems. The author believes that if the agency seeks to attend major international shipping companies, the focus should be on increasing the level of service automation and information as well as improving the electronic interface offered.

It is therefore possible to state that the level of investment in the information technology sector is, and will remain, a major determinant for maintaining or improving the competitiveness of shipping agencies, as may be the solution for agencies to continue adding value to the service provided.

Thus, it is essential for shipping agencies to identify the challenges presented and overcome them by offering new and modern solutions and adding value to the services provided.

3.3 From local to global

In their day to day, shipowners and operators have to deal with a large number of different agents for the different ports of call of their ships. Of course, this directly affects the quality of communication between agent and principal, and may also affect the ship call efficiency. Because of the global nature of the business, the various shipping agents will naturally make use of different information technology applications, reporting formats and ways of working. As a result, ship operators will handle different types and formats of information for each port even if the information itself is the same, as well as different levels of quality and efficiency of the agencies. Last but not least, each agency in each port has a unique way to process and issue disbursement accounts, which may end up hindering or delaying the understanding of ship operators.

For Fontarosa (2012), the need for shipowners or operators to have agents that act globally by providing uniform services for a wide range of ports arises.

Macdonald (2013) believes that the challenge to the ship agents is to reposition and redefine themselves as well as to expand the range of integrated products offered. Agencies should elaborate concrete plans for their development, always seeking the presence in new markets.

Thereby, shipowners or operators are increasingly looking for shipping agencies present in different ports of the world. There is a need for agencies to develop their product (the service offered) both internationally and locally. They should aim to enter new markets, whether regional, trans-regional or global, but always adding value to the service provided locally.

3.4 Marketing and the access to new markets as key factors for maintaining or increasing shipping agency's competitiveness

According to Cortiñas Lopez (2007), marketing can be understood as an activity that fits the company's offer to market demand, aiming to meet consumer needs and desires.

In short, the concept of marketing begins with the market, focusing on customer needs and emphasizing profit through customer satisfaction.

Thus, it becomes vital for a shipping agency to identify the market in which it is present or intends to enter, as well as perceive its trends, patterns and changes that are underway. Next to this market identification is the recognition of potential customers and their needs. In regards to the tramp segment, Macdonald (2013) explains that it is mainly connected to the handling of bulk cargo and in most cases this cargo is from a single charterer. Thereby, the agent is required to identify both the shipowners or operators and the charterers who regularly trade in the area where he chose to settle. At the same time, he should understand what the trends in the freight market are and identify which party (shipowner or charterer) has greater bargaining power and thus decide to which part he should concentrate his sales efforts.

We may conclude that it is important for ship agents to understand that the owner is not their only customer and, regardless of who is responsible for the agent's appointment, it is vital to provide a high quality service to both parties given that the freight market is subject to changes and the party responsible for the agent's appointment may change. This is also necessary because if the owner or the charterer is not satisfied with the agency's service, at the request of one, the other may change the agent in a next voyage. Thereby, we note that the business relationship between charterer and owner is so important that if the agent seeks to well attend and please only one of them, he may encounter problems in the future.

This concept that the shipowner is not the only customer of the agency is evidenced most blatantly in the liner trade, where the agent sells space in a vessel for exporters and importers.

We conclude that the clients of a shipping agency are therefore all those related to the cargo and the ship. In other words, they are the shipowners, charterers, exporters, importers, brokers, trading companies, customs brokers, NVOCCs (Non-Vessel Operating Common Carrier) and freight forwarders. Agencies should be customer-oriented organizations, always aware of the new

market trends in order to meet their customers' demands and increase their competitiveness.

3.5 An Opportunity

Throughout our study, we aimed to demonstrate the existence of real opportunities for shipping agencies to redefine themselves and increase their commercial condition as well as to achieve a profitable and sustainable position in the market.

In order to survive and prosper in the future, shipping agencies must look beyond the narrow boundaries imposed to their traditional role. They must convince their customers of their ability to add real value to their service continuously. The focus should be on identifying key differentiating factors able to add value to the service provided.

The agent must also find himself in a real partnership with his customers and this will require a higher degree of operational and financial transparency in their business. It will become increasingly necessary for the agent to elevate his level of expertise to handle the specific requirements of each trade and client.

There are therefore several challenges posed to shipping agencies with the advent of various global trends, but combined with these challenges, there are several opportunities to maintain or even elevate the competitiveness of the agency by redefining the product offered.

CONCLUSION

This paper sought to describe the role played by ship agents in the shipping business, highlighting its importance to the segment as well as analyzing the challenges presented to this professional with the advent of new trends in the industry.

The study aimed to answer two questions: What is the role played by the ship agent in the international trade and what its real importance for the sector? What are the challenges presented to this professional with the advent of new global trends and how to overcome them and grow in the market? We answered the first question by analyzing in details the functions performed by this professional as well as its relevance to the proper functioning of the sector. We also studied in the third chapter of this work the new global trends in the shipping sector, how they affect shipping agencies and how to adapt to these trends in order to grow in the market.

The research method used for the preparation of this work was the qualitative research method in which we set out the generalization that the ship agent is an important professional for the international maritime trade, moving to an individualized issue, wherein we analyzed the challenges presented to this professional and came to the conclusion that through a number of factors, the ship agent can continue adding value to his service and thus remain as a very important professional to the international maritime trade.

We conclude that the ship agent exercises a key role in the international trade, being an indispensable link in the communication chain between shipowners and the various characters that may interact with a ship when this reaches a port. The ship agent is also directly responsible for the maximization of return of a ship's voyage for the shipowner through the provision of relevant information regarding the market and also of operational issues, the ship's dispatch through efficient planning and control, the proactive management of cargo handling, the regular and accurate communication before all parts involved in a ship's call in a port as well as the efficient management of funds

and cost control. The importance of this professional to shipping is therefore evident. On the other hand, the advance of globalization is creating new opportunities and challenges for the shipping industry and consequently for shipping agencies. Under these circumstances, new strategies and business processes are required to deal with these changes and challenges presented for the ship agent to continue adding value to his product (service). We understand, therefore, that the impact of these new trends constantly threatens the role currently played by this professional. Based on this, it is necessary that the shipping agencies seek to continually access new markets, aiming thereby to increase their competitiveness in the sector and increment the service offered.

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Diego Agüero, Argentina



I was born in 1977 in San Lorenzo city, Santa Fe Province, Argentina. The Eastern part of the city limits with Parana River (one of the mightiest rivers in the world).

After I finished secondary school and while I was at university, I received a job offer from a friend who was working at a shipping agency in San Lorenzo. The company was looking for a new employee and the main condition to get the job was to have an advanced level in English. In 1999, I accepted the job offer without having any previous experience. I took the risk and the opportunity to start a new way of life so as to become independent from my parents.

From those starting days I can only remember how frightened I was. At first you must keep eyes and ears wide open before you can get your own participation in the job and it took me several years to clearly understand the meaning and the importance of the duties involved in the profession.

In 2004 and with 5 years of experience, I received an offer from NABSA S.A., the company where I am currently working. In the San Lorenzo branch office alone, the company works with an annual rate of about 300 ships, making it one of the market leaders in Argentina.

“BEING A SHIPPING AGENT”.

UNDERSTANDING HIS ROLE AND PRACTICE IN
AN EXPORT COMPLEX FOR BULK CARGOES.

AUTHOR: DIEGO AGÜERO.

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1. INTRODUCTION.

In the aim of explaining as clear as possible the duties of a shipping agent, I would like to describe the port and the river in which I am currently working as a shipping agent. I have started this job in 1999 and I can say that becoming a shipping agent took me at least from 3 to 4 years. Learning this job in Argentina is rather difficult, as there is no formal education to obtain previous knowledge. Having said that, I would like to say that most of what I have learned, came together with the experience after watching and talking to different people involved in shipping operations such as ship's Captains, officers, private surveyors, terminal operators, port authorities, shipping agents, etc. Of course, there was a reaching point in which I learned from other person's experience and it was essential for me to obtain books and specific pieces of work related to shipping.

Although most of the countries which expertise maritime international trade have their own national legislation, they have all signed international agreements with specialized agencies belonging to United Nations such as IMO (SOLAS and MARPOL Conventions belonging to IMO), ILO, UNCTAD, UNCITRAL, etc, in the purpose of setting standards related to the safety, the security and the environmental performance of shipping industry. It is in this respect that the agent should have not only a well understanding of international rules but also a practical knowledge of the custom of his own home port. In many cases, the precise information of the "local" regulations and accurate descriptions of the way of working are important in effecting a smooth and well-planned operation.

I divided the work in order of appearance, let's say: before the ship's arrival; after arrival and during stay at the port; and after ship's departure. This way I believe to be clearly for those who are not involved in the business.

Last but not least, I try to emphasize when possible the "boarding" agent role as I honestly believe to be of paramount importance. No matter how many staff is working under the agency structure, how many divisions do they have (disbursement, operations, husbandry, customs, documentation, human resources, etc), there would be invariably one person that must present himself on board a ship to tell the Captain: "I am the agent".

2. SUBJECT SELECTION.

2.1. Tramp Market.

The World's cargoes when transported by ships use one of two main methods:

- Liner service.
- Tramp service.

This work will deal with ships trading on the Tramp Market. The name Tramp, means that the ships are not operating on a regular schedule to and from the same places. They are chartered for a particular voyage (in both of the forms; i.e. Time Charter Trip or Voyage Charter) or for a period of time (Time Charter). Tramp shipping is synonymous with calling a taxi – it is transport on demand going from wherever the cargo originates to wherever the customer wants it to be transported.

2.2. Describing the port.

San Lorenzo, Puerto San Martín and Timbúes area, commonly known in shipping circles as San Lorenzo Port Complex (from now on called the Port) extends from Km 441.5 to Km 465 of Parana River. With its modern terminals for exporting grain, agricultural by-products and vegetable oil, it has become the leading exporters of these goods with an annual movement of about 35 million tons.

The Port has 22 private berths:

- San Benito (Molinos Rio de la Plata SA)
- Vicentin
- Akzo Nobel;
- A.C.A.;
- Oil Combustibles;
- AXION Energy (ex ESSO)
- YPF Chacabuco;
- Dempa & Pampa (Bunge Argentina SA);
- Transito (A. C. Toepfer Int);
- Nidera;
- P.A.S.A.
- Mosaic;
- Quebracho (Cargill SACI);
- Terminal 6 North & South (Bunge and AGD);
- Minera Alumbrera;
- Profertil;
- Noble Timbues North & South;
- Dreyfus Timbues
- Renova (Glencore & Vicentin)

For you to have a better idea of this, I include below a map with an easier reference:

[illegible]

The cargo arrives by barge, truck or railway to the terminal's installations and stored into silos (some of the terminals with a total capacity of up to 800,000 metric tonnes) and then loaded into the ship by a conveyor belt running through an elevator. Almost all the terminals are equipped with a double conveyor belt system, that allow them to load by two loading chutes simultaneously (two vessel's holds at the same time, even if they are loaded with different cargoes) at a rate of 800/1000 metric ton per hour/chute, depending on the cargo (Pictures 2 & 3)

A large green and white cargo ship is docked at a port. The ship has a green hull and a white superstructure. It is positioned next to a large concrete structure that appears to be part of a port facility. A crane is visible on the ship's deck. The water is brown and murky. The sky is blue.

The roads for anchoring within the limit of the port are of 16 places. Furthermore, the daily number of ships at the port is 30 (anchored and alongside). The line ups given by the terminals are prepared on the basis of the arrival time of each ship at Recalada area, this means that the first to arrive is the first to load. Obviously, if each terminal / berth has normally a rate of 15 ships on their line up, it is the rule rather than the exception for ships to drop anchors at Recalada area awaiting further authorization from Coastguard to continue navigation to her designated loading port / berth.

The Argentine Coastguard is the entity that regulates the traffic navigation so as not to have vessels proceeding upriver without place to anchor. This also avoids the inconvenience of having some berths free while others with 2 or more ships waiting at the local roads. For a ship to enter a designated loading port / berth, the agent must give the Coastguard a letter signed by him and the berth to which the ship is applying to load informing ship's ETB (Estimated Time of Berthing). After an analysis of all terminals line ups, the ship is authorized by Coastguard to proceed from Recalada to San Lorenzo roads considering her final ETB (that much depends on delays, weather conditions, etc).

2.2.1 An essential explanation of the river:

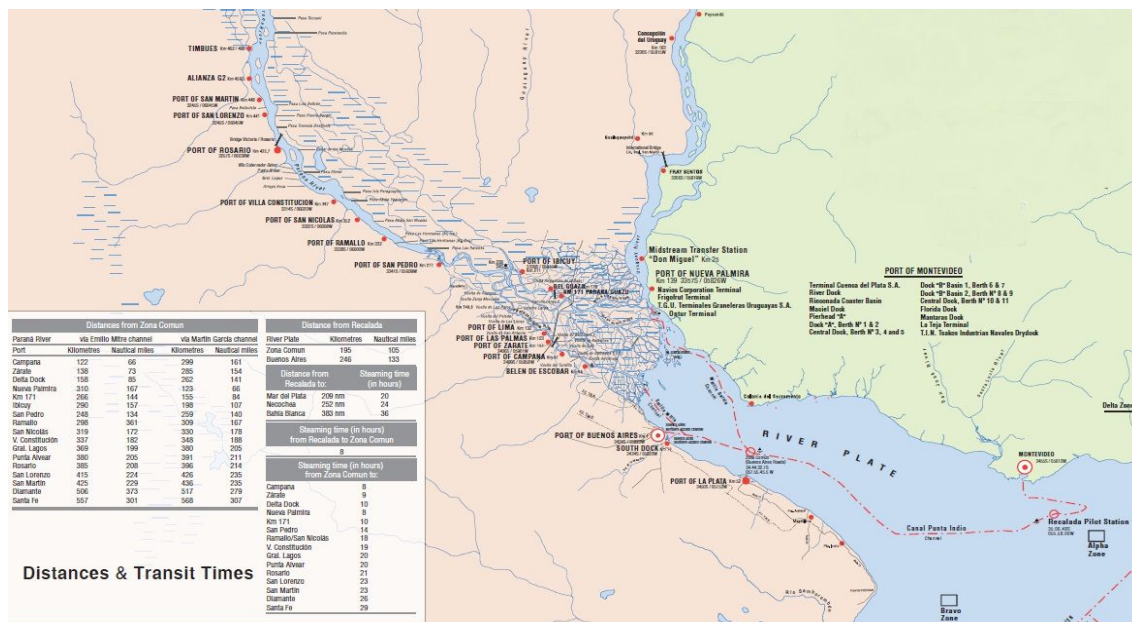
Every berth of the above listed has their own particulars and restrictions, but in addition to this, every ship will have to comply with the "nature" of the river in the many different legs in which it is divided. This is a special factor that must be taken into consideration especially for those who are not used to trade at this port as it may seem a "hidden restriction".

As we are considering vessels calling for loading, the upriver navigation has no special issue as the ship will come in ballast condition, meaning that her draft will be reduced up to the necessary minimum for a safe navigation. Instead, we will concentrate on draft matter when performing downriver navigation.

The port is not affected by tides. The maximum sailing draft depends on the river height at different shallow passages which change on a daily basis. Every morning at 09.30 the Coastguard informs the maximum draft allowed (determined by the depth at the lowest shallow point and having discounted UKC safety margin) which is valid until the next day. It is normal practice that parties involved in the maritime adventure will try to load up to the maximum draft allowed.

Parana river is dredged up to 34 feet - 10,36 meters - (guaranteed 80% of the year) at zero datum plus river height, but when the figures for transiting Parana River are over 10,60 meters another factors must be considered and they are depth and draft available for transiting Emilio Mitre and Punta Indio Channels which are affected by tides (Picture 4).

(Picture 4) Map of River Plate and River Parana up to San Lorenzo port.



In the River Plate (Emilio Mitre and Punta Indio channel) today's minimum depth at zero level is 10.50 meters plus average tide of 0.6 to 1 meter. Although tides are predicted and tabulated they are also affected by winds, so when a principal wants to know up to which draft his vessel can load, the Agent is the person in charge of obtaining the information needed for taking such decision. When giving this kind of information and piece of advice, the agent should not be deemed himself to recommend a draft without clarifying the disadvantages and risks that the vessel may encounter if the tides predicted don't met. Unexpected situations have lead vessels to be almost one month trapped awaiting suitable tide for continuing navigation outside.

If the agent believes that under normal circumstances the vessel will not be able to cross the shallow passage in due time before the new draft is declared, running the risk of being trapped if draft decreases, he should recommend a vessel (after his principal acceptance) to interrupt loading operations in order to wait for next day draft information to be disclosed.

3. BEFORE THE SHIP'S ARRIVAL AT THE PORT.

3.1 Getting the job.

The first notice that an agent receives comes from his principal (Owner or Charterer). This notice is a recap of the ship's particulars and cargo fixture which among others it contains: ship's name; ETA; ship's particulars; load port & berth; quantity of cargo that vessel is to load with a percentage (normally a 10 percent in more or less); destination of the cargo; laycan; etc.

This notice, when coming from a client that is used to work with the agent, it serves itself as a nomination as this client is well aware of the duties and tariffs of a ship's call. Then, the job is secured and it is followed by commercial formalities.

If this last is not the case, then one previous step is required, as the agent must "get" the job. Before nominating a ship the principal will request a PDA (Pro-forma Disbursement Account). This is the first thing that an agent is called to do, and only after the principal's acceptance of PDA will come the formal nomination of the ship.

With the ship's intended fixture and particulars, the agent will calculate all the tariffs and expenses of the port stay. As it was told, this is only a pro-forma and after the ship's departure the principal will receive the Final Disbursement Account (FDA) to set out any balance in one or other's favor.

So, after checking ship's particulars (i.e. L.O.A., N.R.T., DWT, Quantity of cargo to load, etc), the agent will calculate the days of the port stay and send to his principal the estimated expenses for the call, which includes:

- Agency Fee.
- Waterway Toll dues.
- Entrance Light dues.
- Dockage / Wharfage.
- Pilotages services in/out.
- River's Pilotages
- Mooring / Unmooring / Boat hires.
- Towage services (if required), etc.

This work is normally done by a special department inside the agency organization called "Disbursement and Accounting". After acceptance of PDA, it is normal for the agent to request an advance of monies to cover the pro-forma amount to protect himself from the possibility of default / delay on payment.

Once the PDA has been approved by the principal and only after receiving the official nomination / appointment from him, the agent is due to get in contact with the ship and parties involved on the ship's call.

3.2. Disclosing Information.

It is also vital to give the client or principal the more accurate description of the particulars of the port or berth facilities, as it may be the case that restrictions for calling a particular berth applies while for others does not, i.e.: some berths have LOA or DWT restrictions, or have an access channel that bring into force the use of tugboat for maneuvering, etc. There may be, apart from restrictions, new local regulations that brings into force new ways of working. Some good examples that have recently come into force are:

- Due to roads congestion, and in the aim of optimizing the port stay of the ships, San Lorenzo Coastguard does not allow any operation at roads to be carried after loading completion. Owners or Time Charterers that were used to make provision or bunkering after loading, should now arrange same in another place outside San Lorenzo roads or otherwise run the risk to delay vessel's berthing if the bunkering or FW barge are not available upon ship's arrival.
- After new Custom's regulations imposed, most terminals operators decided to stop providing Fresh Water. Nowadays, the only way to supply FW is by barge at a higher price and with the additional problem derived from Coastguard's regulation stated a paragraph above.
- Depending on ship's size and berth assigned for loading, one or eventually two tugboats are to be employed for un-berthing maneuvering.

Pro-activity is an important attitude that an agent must demonstrate when rendering his services. No matter how much books, river guides and internet sources a person who is far away from the loading port may be able to consult. All of these sources will have the inevitable problem of lag between the time information is collected and the time it is published and made available for others. Again, contacting a reliable local agent is the only sure way for an owner or charterer to acquire up-to-the-minute details about port conditions.

I would like to bring a few examples to highlight the importance of pro-activity when giving information. Boat skippers may call on a Friday 1700 hours to go for an undetermined period of time strike, leaving all vessels at the port without mooring or unmooring gang; workers union may take as a valid method of protest to block the terminal's access gates in the aim of preventing terminal's workers or stevedores to enter the facilities.

Same situation is faced with political restrictive factors or when political affairs of nations interfere on international trading. In the recent past, as a consequence of lack of cooperation between Argentina and England regarding Islas Malvinas negotiations, the Argentine Seamen's Union decided to delay all ships flying Flags of Convenience related to United Kingdom. The Union instructed his personnel on board tugboats not to provide services to those ships until confirmation received from them. Despite the fact that for an agent is difficult to explain this dictatorial behavior to a person in another country, the problems derived from this attitude are enormously risky. One could think on a ship nearly to finish her loading operations, or even worst, already loaded up to the maximum sailing draft of the day, being unable to sail due to lack of tugboat and facing the risk of being overloaded in case of river draft reduction.

Nowadays, strikes, lockouts and different ways of protest seem to appear like a "custom of the port". With a great power to interrupt the normal function of the entire port, is very important that the agent informs his principals as soon as any "rumor" is heard, so if negotiations hasn't finished between cargo buyers and sellers, loading commitments can be delayed accordingly.

What I have explained before try to emphasize the fact that providing information about potential protests is part of the agent's duties even if he is not asked for. When providing this information is that an Owner or Charterer can make a reliable voyage estimation and costs calculation.

3.3. Getting in contact with the ship.

A message by which the agency present itself, welcoming the ship's crew to the country and given the ship's command some port and berth information about the place that the vessel is expected to load is the first message that an agent is likely to send to the ship.

After that, the agent will request all pre-arrival information that must be presented by the agent, as ship's representative, to the different port authorities.

In order to comply with the time of presentation, the agent will closely follow that all information requested has been received at his end, and whatever information or documentation missed, will be immediately claimed.

Some of the regulations to comply:

- I.S.P.S. (72 hours before a ship's arrival to Argentine jurisdictional waters, a standard form is requested by Coastguard authorities in order to comply with International Ship – Port facility Security Code).
- Ballast Water Exchange Report (IMO form to be presented to Coastguard, in which is recorded the date, time and place where the ship took ballast water).
- Free Pratique Request (as in many other ports, the ship will have to fill up a questionnaire given the necessary reassurances to the Port Health authorities that no one on board is suffering from or showing symptoms of infectious disease).

Other messages than an agent is likely to send to the ship:

- A message enumerating how many copies of each document should be prepared and ready by the time of clearance (when authorities board the ship).
- A message with a guideline to help those on board with the preparation of an important document required by Customs authorities (Deck, Store, Bonded, Provision and Crew Effects Declarations). This last, although not being important for the ship's operation "itself", it becomes very important for avoiding Owners' headaches with Custom's authorities. We will come back with this issue later, but so far we can tell that P&I Clubs, FONASBA and BIMCO warned their members about this illegitimate Argentine Custom's behavior.

3.4. Daily reports.

Under charterparty clause the Owner will have to give regular notices to the Charterer. This is normally done by the Captain of the ship. These stipulated notices of arrival (15/10/.../4/3/2/1 days) are usually sent to the agent who will in turn pass it onto the loading terminal (for including the vessel in the line up), shippers and cargo coordinators, allowing them to arrange the necessary steps for cargo readiness.

The agent's fulfillment with this duty cannot be under-estimated. Problems may arise later if cargo coordinators and/or shippers have the chance to put on the agent's "shoulder" the responsibility of cargo not being ready due to lack of information provided.

It is also the agent's obligation to check whether the berth operators and shippers have received from their side the same nomination related to type, tonnage, tolerance and destination of cargo.

Another duty of the agent is the preparation of a daily line-up of the berth where the ship is nominated to load. As vessels may delay her ETA (due to bad weather conditions, delays on departure from previous port, etc) it is also normal for the loading berth to undergo delays on her operations (elevator's breakdown, new ships announced, changes on previous schedule due to logistics reasons, etc.). The only way for an agent to have a trustworthy line-up is to collect on daily basis ship's and terminal's information and pass same to his principals as the only way to trace ship's operations.

We have finished this first part, trying to point out those of the first duties that an agent is called to do and in such a way they also can be defined as the most important apart from fundamentals of port agency operation, which are:

- 1 – Obtain the business.
- 2 – Arrange for necessary funding / payment.
- 3 – Treat the principal's business as if it was your own enterprise.

4. SHIP ARRIVED AT THE PORT.

I divided the ship's call in two, because right or wrong, it is the way I think my job. Perhaps it will also bring clarity to those who are not directly engaged in the agent's work. These two aspects are:

- 1 – The Ship itself and her operational matters and needs,
- 2 – The Cargo, as being commercially paramount related to freight or hire and the reasons of a maritime adventure bringing the necessity of a ship.

4.1. The Agent and the Ship.

Under normal circumstances the ship arrives and drop anchors at Recalada area awaiting Coastguard's authorization to proceed upriver. Recalada has become a customary waiting place and the ship is considered as “arrived” for the purpose of tendering a valid Notice of Readiness. We have seen before why and how the Coastguard regulates the navigation, but once this authorization has been granted the agent would proceed to appoint pilots services.

When a vessel is authorized to commence navigation from Recalada, San Lorenzo Coastguard sends a message to their Buenos Aires office who in turn instructs the ship to approach the pilot station (Recalada). The agent is the one who appoints two River Plate pilots to take the vessel from Recalada to Zona Comun (La Plata Roads). This navigation period is covered in 9 hours. Once the vessel arrives at Zona Comun, River Plate pilots disembark and another two different pilots (River Parana) board the vessel (to navigate her to San Lorenzo port as final destination) for final navigation to San Lorenzo port (about 19/20 hours of navigation).

It is common practice for the agent to arrange clearance with port authorities and surveyors for cargo holds inspection immediately upon ship's arrival at San Lorenzo roads. Firstly, because it is unlikely to find the loading berth available, and secondly because it is much prudent for the agent's principals to appoint surveyors for having holds inspected before proceeding alongside than running the risk of having holds rejection at berth. If this last is the case, berth operators would be entitled to request elevator's lack of profit as from the time the vessel was idle alongside and also, the costs derived from appointing unmooring gangs and port pilot for taking the vessel out of the berth are higher compared to those incurred for appointing a preventive holds inspection at the anchorage place.

4.1.1. Clearance of the ship by Port Authorities:

For a ship to operate, first of all it must receive clearance by port authorities (Customs, Coastguard, Sanitary and Immigration). Only after such formalities are completed the vessel will be allowed to operate. Note that no holds inspection, even de-ballasting procedure would be allowed unless the clearance is granted.

With so many ships awaiting to load and loading berths with a tight schedule, the agent is likely to proceed on board immediately upon ship's arrival, no matter day or time. Unlike other professions, the agent's work is needed in a full-time basis. Granting

clearance on ship's arrival is due to the fact that in case of any problem that may arise during clearance (i.e. any expired certificate or cargo holds condition not satisfying surveyors criteria) then there is still more time in order to try to put things right, minimizing time loss.

With enough time the agent can confirm the ETA of the ship and would coordinate car transportation for authorities and surveyors and a boat for proceeding to the ship.

Once on board, the agent will facilitate any documentation that Coastguard may request, as the agent is performing both duties: as ship's representative and as Coastguard's auxiliary. Among other documentation that Coastguard may request invariably they would check statutory certificates (Registry, Load Line, Safety Radio, Safety Certificate, International Oil Pollution Prevention, Sanitation Exception Certificate, Document of Compliance, Safety Management Certificate, I.S.P.S.) and whether the ship has complied with ballast management plan or not. After checking that ship's certificates are in order Inward Clearance would be granted.

Nowadays; Sanitary, Customs, Immigration and Health authorities are not presenting themselves on board like they did it in the past, but the paper work to comply with their regulations remains the same (even more I would say). This is a good time to emphasize the "boarding agent's" role. Mention has been made on previous paragraph that before ship's arrival a large number of messages must be sent by the agent to the ships' captains in order to explain and warn them about how information must be included on declarations to be presented to authorities.

4.1.2. National Customs Authorities: One of the most important papers that a ship must present to Customs Authorities is the Ship's Store and Provision List. Although National Customs Code is one, different jurisdictions have their "own view" to believe which are the correct and truly way to declare items. At this point, the Captains' total unfamiliarity with Custom's procedures can lead the Ship-owners and their P&I insurers to be exposed to extremely high fines (I.E. One could think in a wrongful declaration of lubricants, or even worst, in an omission when declaring Fuel or Marine Gasoil, with a fine ascending up to 5 times the value of items wrongfully declared).

It also happened once that after Custom's searching gang inspection, items which were found not to be declared on the store list would have to be disembarked and arrested (i.e. cargo hoses or spare mooring ropes).

Of course, after so many written explanations and warnings given to a ship regarding this matter, store lists have become to be a kind of "novel" that must be carefully checked by the boarding agent upon ship's arrival, as there are many tricky ways for the Custom's to interpret same. Here, once again, I stress the boarding agent role as he is the only one who can in time help the ship's command to fulfill and deliver correct documentation based on well-known experience of the port authorities.

4.1.3. Immigration and Sanitary Authorities: To comply with this formalities, there is no such major problems as they are based on a fairly system avoiding the problem of different interpretations. The agent will just collect the documentation necessary to comply with regulations in force.

4.1.4. Cargo Holds Inspections: At a later stage we will see that for time counting purposes, a Notice of Readiness is necessary. One of the things that a ship should comply with in order to tender a valid N.O.R. is that she must be “ready in all respects to receive cargo” which inevitably show us the importance for the ship to have her holds approved for loading, meaning that if the vessel is not able to load, whichever the reasons are, laytime is interrupted and time is not counting under a Voyage Charter while vessel is placed off-hire under Time Charter as the Charterer is prevented to usufruct what he is paying for.

We will deal with selling contracts and how they interfere with charter parties. Buying or selling goods belongs to international rights that any private person or commercial society may exercise, but all selling contracts have their standard form and clauses. One of these clauses is that cargo before and while being loaded should be analyzed and inspected by a recognized control company (most of them international societies with standards manuals) in the aim of certify that the condition of the cargo being loaded is in line with what it was sold and respectively bought. Is in the pursuant of selling clauses that a shipper will send (on their account) a private surveyor selected by contract to inspect the holds condition before loading commencement, so as to certify that vessel’s holds are fit to carry the cargo. The cost for such inspection and cargo supervision are included in the selling contract, and is carried out before loading commencement and while the ship is being loaded.

We have seen before the reason but again we explain that the procedure is to take the same surveyor which was selected in the selling contract, to inspect the vessel’s holds (on Owners or Charterers account) at the anchorage place and before proceeding to berth. There are a few terminals which made compulsory for ships to proceed to their berths with cargo holds previously accepted by nominated control companies. In the absence of that rule, the agent should always clearly explain to his principal which is the custom procedure of the port and to give advice about the convenience of paying a preventive holds inspection at roads before proceeding alongside. Of course, final decision will be taken by the principal, but putting light on different scenarios is a must for the agent.

Jointly with the private is the government surveyor inspection. If after the inspection the conditions of the holds have been found to be in order, then no further intervention is expected for the agent in this respect. But what if holds condition is not satisfying the surveyors' criteria?

In one hand, it may be the case that the job needed for complying with surveyors’ criteria is something that could be done by the ship’s crew in a relative short time. But on the other hand, it may be the case that a more intensive hand scrapping on the holds’ tank tops or cleaning in the upper parts could be demanded, being very difficult for the ship’s crew to reach the higher parts without proper equipment. The agent’s only course of action under such circumstances is to explain the facts to parties concerned, explaining which are the problems and detailing which parts of the holds must be improved allowing his principal to decide whether a shore gang is necessary to be employed.

The agent is likely to have different shore companies at hand and act as fast as possible to make them board as soon as possible. It is also “on board” were the agent can check

with the ship's Captain whether the vessel will need to discharge the washing waters used for cleaning or if same could be kept on board (normally without reducing cargo intake).

Sadly is to say that problems arising are not with holds condition but very often are with holds surveyors, leading to misinterpretation between the agent, the Captain and eventually the Owners / Charterers. Nevertheless, a professional agent should have no difficulty in dealing, in an even handed way, with these conflicts.

4.1.5. On Hire Surveys: Unless for ships under Voyage Charter or which undergo a long term Time Charter, Recalada Pilot Station is the common place for taking delivery of a ship which enters in New Time charter. It is usual for an agent to be asked to introduce one of the many independent surveyors available to carry out On-Hire surveys. This surveys are done at the roads because in addition to ascertain the quantity of bunkers at the time of delivery, the ship will undergo a condition survey to establish that the ship received has no apparent damage (especially inside cargo holds). As it is unlikely for these surveyors to work directly with time charterers, their appointment and further arrangements are delegated upon the agent.

4.1.6. Port State Control: This is a worldwide system which means that any ship within a port of any country may be boarded and inspected by surveyors belonging to that country to supervise ship's and owner's compliance with international standards regarding Safety of Life at Sea; Prevention of Pollution; Living and Working condition; etc. After the ship's arrival, the PSC surveyors may board the vessel and inspect the ship's documentation and equipment. It is always important for a boarding agent to be aware of such inspections and results, as these surveyors have the power to delay any ship where deficiencies are an immediate hazard to safety, health or environment. In many cases, the Captain doesn't have the meanings to repair the deficiencies (lack of equipment's spares, documentation, etc) and the agent becomes of vital importance to find a solution (talking with ship suppliers, flag state or Class Societies). Depending on the deficiencies found, a ship would not be allowed to operate or even to proceed alongside. The agent's quick response and attitude toward these inspections are definitive for finding a quick solution.

4.1.7. P&I Surveys: It is not very often, but some cases in the past were cargo has been found to be contaminated (due to an error on terminal's personnel two different cargoes were loaded into the same hold), wet cargo (when suddenly it starts raining and stevedores cannot take out loading spout timely from inside the hold) or to be suspected of being in bad conditions (due to smell) leads on cargo claims and unexpected stoppages on loading operations. There may be problems when Customs authorities find wrong or missing information declared into ship's store list declaration, or when cargo holds are rejected several times by surveyors making necessary the assistance of a P&I surveyor. Although the nomination of such surveyors should be made by the Owners or the Captain of the ship, the agent should be ready to recognize a situation where a P&I intervention becomes necessary, and recommend the advantages of such decision.

4.1.8. Draft Surveys: The loading terminals ascertain the weight loaded by an electronic shore scale approved by National Custom Authorities. That is to say, that commercial documents such as Mates Receipts and consequently Bill of Ladings are issued according shore figures.

Is not very difficult to foresee that at discharging port where problems with cargo quantity discrepancy can arise between Bills of Lading and actual cargo discharged. The carrier will always be held for such discrepancies and for that reason it is quite often for vessel's owners to appoint a P&I surveyor.

The appointment of P&I surveyors is coming directly from Owners but then the agent is in charge of keeping them informed about vessel's developments and arranging for boat services needed for drafts reading.

4.1.9. Medical / Doctor Assistance: Once the ship arrives at the port, the Captain may request the agent medical or dentist assistance for any crew member. As ships operate 24 hours a day, it is necessary as part of the Port Agent's product knowledge, to arrange "out of office hours" treatment.

More important, in accident cases, the agent should be aware of terminal's procedures and arrange without any doubt all necessary steps (i.e. arranging a boat if the vessel is at the anchoring place, ambulance, etc). In cases of long hospitalization or surgery, the agent should keep in touch with the patient on a regular basis and report the Owners, allowing them to keep patient's family informed.

If after a medical visit the crewmember is found unfit for duty, the agent must inform immediately, allowing Owners to send a substitution timely. An experienced agent will always check the ship's Minimum Safe Manning Certificate and the crewmember's rank to ensure that in case vessel needs to sail without the crewmember has no impediment.

4.1.10. Crew change: This is something very common for the agent to do. If the Owners or Manning company request to make crew change, it would be the agent who would inform vessel's expected itinerary so as to arrange flight schedule accordingly. It is also very common for the agent to suggest flights date and times if he believes that vessel might delay her arrival at port. In addition, the agent will be in charge of arranging domestic transportation from the airport to the vessel, giving details of different alternatives and prices (car, mini bus, flight) along with hotel accommodation and meals when necessary.

Some nationalities may need visa to enter the country, thus before any formal procedure the agent will present to local the embassy the on-signers invitation letter in order to obtain the ok to board from national immigration authorities.

4.1.11. Fresh water provision / De-slopping operations: It is indispensable for the agent to know well in advance about the intention for carrying out these kind of services. Barges may have other commitments being unable to supply services in due time. We have seen before that as per Coastguard's regulations these services are to be supplied only before proceeding alongside, being the agent's obligation to inform the Coastguard about all these arrangements allowing the ship to arrive at the port with a safe margin of time for carrying out these operations.

4.1.12. Arranging berthing.

San Lorenzo has no Port Captaincy. The berthing (as well as un-berthing) is coordinated by the agent himself. He is the one to check with berth operators about expected time of sailing of the vessel occupying the berth and to timely appoint port pilot and linesmen for

his vessel. The agent will appoint these services by telephone, as due to the nature of the work, they are often carried out after office hours.

4.2. The Agent between the Cargo and the Ship:

Mention was made to the fact that cargo is of paramount importance, as a ship itself although representing a large sum of money, could not be considered solely without her commercial counterpart: the cargo.

First I will describe some main points about cargo stowage plan and the importance for an agent to get involved and understand different aspects of cargo calculations.

4.2.1. Cargo Plan.

It is very common for a Charterer or an Owner to delegate upon the agent the duty of obtaining a suitable cargo plan according their needs. For stowage plan calculations, the agent will inform the ship about:

- the name of different cargoes to load (Soya meal, Corn, etc)
- stowage factor of same, (53 cbft/mt, 45 cbft/mt, etc)
- contract quantities with percentage (i.e. 20.000 mt 10% more or less)
- draft information (maximum draft available).

Is with this information that the ship's chief officer will prepare and send a cargo plan to the charterer, owner and agent, who will in turn pass it to shippers and loading terminal.

Sometimes the information detailed above is given directly by Owners or Charterers (depending on the type of contract) and the stowage factors may differ from actual values. Again, at this point, the agent's information is very important (like it was before with port restrictions). A professional agent should have an updated database of stowage factors at different loading terminals. Commonly, the stowage factors and vessel's particulars included in charter parties are given in good faith and WOG (without guarantee), so it is the boarding agent role to double check cargo stowage quantities. By a simple calculation the agent can know if holds are full, slack or whether the S.F. used was the correct one.

(A) Some main points of a stowage plan that an agent should be aware of:

- When two or more different cargoes are to be loaded, then it is imperative for the agent to be sure that quantities shown on preliminary cargo plan are within the contractual quantity. If for any reason the cargo plan provided by the Captain is unable to meet contract quantities the agent must inform his principal immediately.
- The same happens when two or more berths are fixed. After a careful study of line ups of berths involved the agent must inform his principal which is the most effective rotation in terms of time saving. After receiving the principal's decision about loading rotation, it is the agent's role to confirm with the Captain if preliminary cargo stowage plan provided allow such intended rotation.

The agent has no meanings to calculate a cargo stowage plan (as this must be done by the Captain and/or chief officer with a lot of variables to be considered and having in mind ship's data information), but he can suggest changes on cargo distribution between holds that may allow a different loading rotation or to meet cargo contractual quantities.

- Grain cargo such as Corn, Sorghum, Soya beans, have a special consideration for stowage plan calculations as they are "rolling cargo" affecting ship's stability. If the vessel is to load grain cargo in all of her holds, then there is a maximum number of holds that can remain slack for open sea navigation. The agent should pay attention on loading sequence prepared by master and follow loading operations so as to ensure that first holds to be filled up are those which were planned to sail full, and then to load balance cargo in those holds planned to sail slack. This way, any difference on stowage factor can be managed adding or reducing cargo from slack holds. Contrarily, having loaded quantity as per cargo plan into holds slack at first can lead on a risky situation if then the vessel could not full up holds (due to a lower stowage factor) due to sailing draft restrictions. One can imagine a vessel being loaded up to the maximum sailing draft allowed of the day, being unable to sail due to stability criteria.
- The agent should always check with the berth operators about loading arrangements, so as to inform the ship's officer to prepare a workable loading sequence to meet loading terminal's needs (if possible). When two or more different cargoes are to be loaded then is the agent the one to check which cargo is to be loaded first, as he is in a mid-position between the berth and the ship. Plenty times, many hours were wasted with a vessel alongside being unable to commence loading operations immediately due to lack of proper information.
- The agent will have to inform the ship about terminal's loading rates. We have to remember that ships arrive in ballast condition and simultaneously with cargo loading the ship undergo de-ballasting operations. Loading sequences are calculated so as to have always the ship with list astern (as ship's pumps are in the aft part of the ship). Terminal's loading rates is an important information for the ship because a wrong de-ballasting plan can lead on long stoppages during loading operations. Delays and terminal's lack of profit expenses during these stoppages are on ship's account, so it is the agent's role to guarantee proper information.

What it was explained above are some of the main points that I consider as "a routine" for a professional boarding agent. Of course there may be many other alternatives in which an agent is likely to get involved with cargo plan discussions, but of course are beyond the scope of this work.

4.2.2. Examples of jobs to be appointed by the agent on behalf of his principal.

Nowadays the loading terminals are equipped with modern equipment so a small amount of manual labor is required, but there are cases where they may be required.

Some examples are:

1 – Depending on holds shape, there could be "broken spaces" after filling up a hold (i.e. when the holds have large bulkheads fore and aft preventing the cargo to roll into the corners). In this situation the agent must present himself on board to check the empty spaces and evaluate together with stevedores' foreman the amount of cargo that can be

accommodated in those spaces if a principal is willing to employ shovelers. After an evaluation of quantity of cargo that can be improved and costs of hand-trimmers is that a principal can decide whatever it results more beneficial for him.

2 – Artificial separations. There are some special cases where an artificial separation may be needed in order to comply with quantity of cargo to be loaded as per charter party. If after an evaluation of different possibilities, there is no other alternative than loading two different cargoes into the same hold, then the use of an artificial separation could be the solution (although expensive) to avoid a dead-freight claim. First of all, the cargo is flattened by stevedores, and then polypropylene bags or wood plates are placed on top of the cargo.

Stevedores inside a hold after flattening cargo.



Polypropylene bags placed above the cargo.



Wood plates, allow a secure operation of bulldozer and grabs at discharging port. They also reduce the risk of contamination between different cargoes.



3 – It may also be the case when loading grain cargo (on account of ship's stability), a further job for securing cargo (strapping).



In all of these cases the agent should try first to evaluate different alternatives trying to avoid high costs to his principal as the employment of such manual work is extremely expensive in this port. Anyhow, when there is no other alternative, the agent is the person in charge of contracting these services and to follow the progress. Normally, a report with height of separation and pictures are prepared and sent to the principal.

4.2.3. Commercial documentation prepared by the Agent.

In order to comply with paper criteria, I cannot deal further with all documentation prepared by an agent. I will explain in a general manner Notice of Readiness (NOR) and Statement of Facts (SOF) as I believe these documents to be the most important in relation with time counting.

A ship is earning money when on the move with cargo inside, ergo time spent not moving inevitably become considered as money being lost. Probably one of the clearest examples of the expression “time is money” is demonstrated in the operations of ships.

Notice of Readiness.

Probably half the total words in any charter have a bearing on what should (or should not) happen at loading or discharging port. Common to all charters is the requirement that a Notice of Readiness has to be tendered as these signify "when the meter starts to count". Two principal factors have to be satisfied before presenting an acceptable NOR.

First, the ship has to have arrived. This may sound self-evident but it is not. We have seen before that on account of congestion at upriver port roads, the vessel is likely to drop anchors at Recalada area in order to wait for proper authorization to proceed upriver. In these cases, Recalada area (more than 400 km far away from the limits of the port) becomes what in charter parties is named "a customary waiting place" being the vessel considered as an "arrived ship" for the validity of NOR. The agent is the one who must give precise instructions to the Master of when and where he should present NOR, as he is 100% aware of custom and practice in his own territory.

It is also very important to highlight that the Master of the ship is not aware of how many shippers may be or who they are, as he is presenting a NOR on behalf of his Owner / Disponent Owner to the Charterer of the ship. Here appears one of the most important duties of the agent, as he is the one to send to the many shippers or cargo sellers the corresponding NOR on behalf of the Charterers or cargo buyers.

The second condition is that the ship must be in her physical condition ready to load.

We have seen before that after an inspection from nominated surveyors holds may be found not to be in load readiness condition, meaning that vessel is not ready to load. Here below I transcribe a Time Charter Clause related to holds condition.

" Vessel's holds on delivery to be clean swept and washed down and dried up so as to receive Chrts' intended cargoes and is in all respects, free of salt, loose rust, scale and previous cargo residues to the satisfaction of **local, relevant surveyors**. Should vsl not be approved by **relevant independent surveyors** for the loading of Chrts' intended cargoes, the vsl to be placed off hire from the time failure until vsl pass re-inspection(s) and any directly expenses/time to be for Owners' account."

Very similar to this one, in a Voyage Charter, the time spent between the rejection and approval, is not to count as laytime.

It is true that the presentation of NOR is Master's responsibility but the agent is there to share that responsibility. As the Captain of the ship may not be familiarized with the custom of the port, is the agent the one who has to ensure that a valid NOR has been tendered at the earliest permissible moment.

Statement of Facts.

One of the most important documents that an agent will prepare is the Statement Of Facts (SOF). In this paper, the agent record the date and time of every stage of the ship's operation and it is with this document that a principal will later prepare a Time Sheet used for laytime calculation in order to determine how much demurrage or dispatch is payable. It is important for the agent to understand how a time sheet is compiled because the raw material used to build up a time sheet always has to come from the port agent in the form of SOF.

For a better knowledge on how a SOF must be prepared, it is essential for the agent to get familiarized with charter parties and its clauses. It is a must for the agent to obtain as much copies as possible of different forms (especially those normally used for trading on his port). The first thing an agent is tempted to think is that he can certainly understand charter party clauses unequivocally and leading him to assume a negligent attitude. Obviously, a complete study of the myriad of different charter forms is beyond the agent's

possibilities, but it is a very good idea (at least it was for me) to compare charter parties clauses with actual law cases on dispute. Surprisingly, I have learned that interpretations and point of views may vary enormously from different courts and chambers instances, and what it seems at first a fairly claim from a Charterer turned to an Owners' indemnity. For sure, after researching law cases a prudent agent will not think himself "clever enough" to understand contracts backgrounds but to adopt a respectful behavior.

Among other, the agent will record in the SOF things as: when the ship was arrived, when NOR was tendered, when loading actually commenced, which days were public holidays, any stoppages due to bad weather, breakdown of machinery, strikes, etc.

After loading completion and before ship's departure the agent will present on board with a SOF for Master's signature. The Master, if prudent, would have recorded similar details in the ship's log-book so that there is a cross-check. After the ship's departure, the agent will in turn send the SOF to cargo sellers (who may not be the actual FOB shipper) for his signature also.

So far, cargo documents like SOF and NOR only seems to have an effect upon the contract between the Charterer and the Owner (in a Charter Party), but they also have an influence upon another one: the selling contract. There could be different situations like:

- A voyage charterer who charter a ship to carry cargo for a third party (a cargo buyer).
- A buyer of cargo that charters a ship for carrying his own cargo (in Time or Voyage basis).

In any of these cases, there are "at least" three parties: the Owner, the Charterer and the Seller of cargo (and the fourth being a cargo buyer when different from the Charterer). Between the Owner and the Charterer the contract which regulates their rights and obligations is the Charter Party, and between the buyer and seller of cargo is the selling contract. For selling contracts is very often the use of standards forms such as GAFTA, as these contracts complement the essential elements of trade (price, quantity, time and place of shipment/delivery and quality) by setting down the means and method by which a contract is to be performed by the parties. I will not get further with selling contracts, but what I wish to make clear is that the agent should not set himself up as an expert in contracts interpretation and as such make decisions as to what events do and what do not affect the eventual time sheet. Those decisions are for the principals (Owner or Charterer). An agent could find himself in a difficult position if it was proved that vital details were omitted from the statement of facts. The same remarks apply to the inclusion of erroneous statements regardless of whether they are deliberately intended to mislead or simply erroneous through negligence.

4.3. The role of the agent depending on the party who made the appointment.

The agent should be aware of his responsibilities dependent upon the party from whom he receives his appointment. This will change and his role and work aspect alter accordingly to whether or not he is representing an owner, a time-charterer, nominated by a voyage charterer or taken on as an owner's protective agent.

4.3.1. Charterer's appointment.

Time charterparties invariably stipulate that the charterer shall appoint and pay for all calling costs including the agency fee. Under the terms of this contract, the charterer is the one to select and nominate an agent who is the one to appoint all the services needed and to follow cargo commercial matters. If any dispute arises between time charterers and owners (especially in regards to off-hire periods) the agent has to remember that his contract is with the time charterer and must "fight on his side". The owner has always the chance to appoint an OPA (Owner's Protective Agent) to protect his interests as well.

4.3.2. Owner's Appointment.

If the vessel is on Time Charter, then the owner's appointment is for handling minor husbandry matters related to Owners, like doctor's assistance, crew repatriation, breakdown of ship's equipment, etc. Under no circumstances the Owner agent will get involved with cargo matters as the vessel is commercially managed by charterers / disponent-owners.

On the other hand, if the vessel is on Voyage Charter the appointment will come always from the Owner or his agent, but different situations are possible:

- As per C/P terms there is NO "Charterer's agents" clause. The Owner nominate his agent who will contract and pay for all expenses related to the port call and will also be responsible for arranging cargo operations. The agent is expected to interface with the shippers and keep them fully advised of the vessel's progress and will protect the owner's interests against charterers and shippers.

- As per C/P terms there IS a "Charterer's agents" clause. The meaning of this clause is that the Owners must appoint the agent "as selected by Charterers". This way the charterers feel more confident when having their own agents handling cargo operations. The Owner appoints the agent and pays his fee but in fact the agent has been selected by the charterers. One important fact that the charterer's agent should be aware of, is that despite the fact that his appointment is coming as a consequence of a C/P condition placed by voyage charterers, he is always the Owners' servant and must follow any instruction given by them as if the owners were free to appoint their own agent.

As with time charters, conflict of interest may arise but due to the nature of voyage charter contracts, a special attention is observed in time counting issues. If the owner has no faith in the charterer's agent, then a good way to mitigate this problem is to appoint and pay for his own agent exclusively to look after owner's interests and to supervise charterer agents' practice as he is responsible of preparing the commercial documentation (i.e. SOF).

5. AFTER SHIP'S DEPARTURE.

After loading completion, the agent will inform his principal the quantity of cargo loaded, the final cargo plan, the bunkers and drafts on departure and the ETA to destination port. The position of the ship will be updated once or twice per day until she finally leaves Argentinean waters. Other duties would be:

5.1. Signing and releasing of Bill of Ladings.

Once loading completion is finished the Captain will sign Mates Receipts as presented by shippers for the total cargo loaded. Explaining the relation between Mate's Receipts, B/L's, Hague Rules and Selling Contract clauses is beyond the scope of my work, but the agent's knowledge in this field is extremely useful for managing problems arising at the time of signing Mate's Receipts.

A good example to show the complexity of these matters could be:

Under Hague rules the captain shall not be requested by shippers to sign any B/L for "quantity or weight which he has reasonable ground for suspecting not accurately to represent the goods actually received, or which he has had no reasonable means of checking". If the Captain wants to remark the M/R (inserting on it the quantity of cargo loaded according Draft Survey), he will not be allowed by shippers on the grounds that as per selling contracts with buyers they are only bound to load as per shore scale figures according custom of the port. i.e. GAFTA weighing rules 123 states:

"Weighing to be done by the dock authorities or public sworn weighers or by weighers appointed or recognised by the local public or dock authorities, or approved by the superintendents, according to the custom of the port or location designated in the contract".

Here, the Captain's signature is needed in one document (the M/R) which is in the middle of the rights and the obligations between different contracts acting against each other i.e. the Charter Party and the Selling contract.

The Mate's Receipt is purely an acknowledgement of receipt on board and is not a negotiable document of title. Whichever is the remark that a Captain wish to insert on it would have to be incorporated into the B/L's, as Bill Of Ladings are to be issued in strict conformity with Mate's Receipts signed by Master. This is also another reason why FOB shippers will reject any cargo figures different from the one inserted by them on the M/R, because a "clean" B/L's is a condition from Letter of Credits.

The normal procedure is for the Captain of the ship to give to the agent a written authorization to sign B/L's on his behalf. It is with this authorization that the agent issues original set of Bill of Ladings.

After ship's departure, the shippers will present originals Mate's Receipts to the agent, who after receiving Owner's written confirmation will exchange one original copy of Bill of Lading with shippers' M/R's.

5.2. Collecting and sending documents generated during the ship's attendance.

Once the vessel departs from the port, the agent will gather all the papers that were during the attendance of the ship. A scanned copy of commercial documentation will be sent by e-mail immediately after ship's departure. Hard copies will be collected after shippers' signature of SOF and NOR, and will be sent by private courier to the different parties involved (Charterers and Owners).

Some of these documents are: NOR, SOF, Cargo declaration, Auth. to sign B/L's, Free of Damage certificate, Trimming and Stowage certificate, Vouchers, M/R's, Bill of Lading, etc.

5.3. Final Disbursement Account.

Most principals expect all invoices to be signed by the master, reason why the boarding agent must present on board with detailed vouchers of expenses. A prudent agent will visit the Captain a reasonable time before the ship's departure, trying to avoid delays on the last minute if differences arises.

The disbursement account or invoice is normally the final document raised by the agent to his principal for the agency services which he has provided and contracted upon his principal's behalf. It is an itemised invoice showing all costs and charges incurred during the ship's port call supported by the suppliers' individual invoices.

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Giulia De Paolis, Italy



I am Giulia De Paolis and I am 26 years old. I was born in Genoa, Italy, which is where I live presently.

After studying foreign languages in high school, I started the university of Economics and at the same time I started working in the Shipping Industry. Since the beginning, I have found working more interesting and more motivating, therefore I left my studies and started focusing on working in shipping. Luckily I had also the chance to travel a lot for work, in fact I worked 5 months in Piraeus, Greece, 3 months in Germany, 3 months in UK, 2 months in Milan and 2 months in Leghorn, Italy. It was an intense period during which I discovered that shipping was for me. Of course, I had some difficulties at the beginning and I was not really sure if it was the professional field for me but after a while talking to people worldwide and negotiating, in order to reach any sort of agreement, started to interest me and motivate me.

After about 7 years of shipping, I feel this field is 'my own' and that is a reason why I always look for new challenges, just like my participation to the 'Fonasba Young Agent and Broker Award 2015'.

“MORE THAN A SHIPBROKER:
HOW TRADING OF GOODS CAN AFFECT SHIPPING NEGOTIATIONS”

INDEX:

I. INTRODUCTION:

1. Explanation on why I want to write about my topic. Aspects required to face my topic.
2. Historical background.
3. Conclusion of the historical background, which brings us to the argument of my topic.

II. BODY:

1. Background and introduction to my topic.
2. General and technical explanations on trading and its aspects and on shipping and its aspects: description and relations about trading terms, periodicity, figures involved, contracts, methods of payment, shipping terms and Charter Parties.

III. CONCLUSION:

1. General view and comments on trading of goods affecting shipping negotiations and its aspects
2. The aim of my paper and my final conclusion.

“MORE THAN A SHIPBROKER: HOW TRADING OF GOODS CAN AFFECT SHIPPING NEGOTIATIONS”

Why am I writing about this? Because the mere figure of the Shipbroker, just like the majority of workers from any profession, could face difficulties in today's market, which requires a wide vision of the business. By giving this reply, I mean that throughout the years, all historical and economical events and time periods mostly required people to think, work and live differently in accordance with what the market demanded and the influences were. Of course individuals are different to each other and have several ways of approaching any situation, so for example nowadays a Shipbroker in the present market situation can approach the activity of Ship brokerage just like the “academic definition” states, which defines the Shipbroker as intermediary/negotiator between Shipowners and Charterers, who use ships to transport cargo, or between Buyers and Sellers of ships; or he/she can be a Shipbroker able to personalize this business activity by adjusting his/her role to what the market requires.

The above usually implies the use of flexibility, especially nowadays, but to the majority of men, it could be natural to adjust their mentality and behaviour to what they are asked, sometimes even by risking something.

Shipping is an extremely wide professional field so what if you work in the competitive market¹ and what if you want to stand up and be noticed by Shipowners, industries or whomsoever you desire to? Then the wideness of this profession and the motivation you can find, can let you improve the knowledge and the innovation of ideas and projects that a shipbroker can think of.

This is why, in my opinion, commerce and trading of goods can affect shipping negotiations. Trading of commodities involves shipping, as far as it concerns the cargoes' shipping method and who knows best about shipping cargoes from one port to another? The Shipbroker.

According to my first lines, it seems difficult to think that activities and mentalities always remain the same throughout the years. For example, during the industrial revolution, more industries and businesses started, new inventions were born and new ways to work materials were developed as well as new business figures and roles were being requested. Last but not least, more items and commodities had to be transported so most probably bigger ships were a must that allowed countries and their ports to grow even more, involving the work done by ships' Engineers, Constructors and shipping Operators, who adjusted themselves to such new requirements, allowing the development of new skills.

¹ A competitive market is one in which large numbers of producers or operators compete with each other to satisfy their requests.

Also wars were clear examples that show us men adjusting themselves to the situation they were living in. Shops could maybe be opened for certain hours, war materials had to be produced in large quantities, war ships had to be built and ships had to transport guns, tanks or whatsoever needed for fights and battles.

The same thing happened with petroleum, known worldwide with the word “oil”. As soon as oil had been discovered, people could not live without it, in order to run electricity, industries and later on means of transport, so they had to adjust their needs to this almost vital necessity.

With regard to the means of transport, once we had ships and boats with oars. Humans had to move these ships and boats with their strength to go to other places or to carry goods, whereas, later on there were sail boats moving thanks to the wind. Around 1821 steamships, after steamboats, started to appear obviously used steam to move and sail.

Now the majority of boats and ships have oil fuel but thanks to the humans’ will and desire to care as much as possible for the environment and to discover innovations, new ships are now being built and the particular aspect of them is that their fuel is liquefied natural gas, avoiding and decreasing the chances of damaging the environment. Innovation is a key aspect in these latter ships and as well innovation requires flexibility: a man who wants to innovate himself has to be flexible on trying new things, on risking and on trying to have unique ideas that will capture the attention of what he is surrounded by.

Nowadays, also the concept “the bigger, the better” is well dispersed among commercial and shipping companies and as stated above, men have to adjust themselves to such new “trends” that are taking over the world. In our case, bigger lots will be moved from one area to another, so bigger ships and bigger means of transport will be needed. Of course bigger ships as well as bigger lots invite us to focus on some other items, which smaller ones do not have and the majority of shipbrokers and traders are aware of this new aspect and are trying to adjust themselves and their work accordingly.

Innovation flows in everything as well as shipping, because it flows into finance, for example the “futures” topic is now a daily topic for big shipping companies and for the ones who work with capesize vessels and their employment; it flows into manning, which allows us to have a direct connection with the people who physically run and make the ships ready for commercial purposes, and it flows into commerce if we just talk of shipping management, which has so many shades, from human resources inside the company, to business relations and partnerships and so on. But also trading is a part of shipping. There are two types of trading: there is the trading of shares of shipping companies’ listed in the stock exchange that has to do with shipping finance and there is trading of commodities. Trading of commodities is linked directly to the shipping and maritime worlds, because many items of the transportation of goods depend on the sale and purchase contract of the commodity itself such as: which Bill of Lading needs to be used, what to insert in the Bill of Lading, is there a time limit to when the goods can be shipped? And what if this time limit is not respected? and so on...

Buyers and Sellers of the goods, industries, eventual Trader(s) and Shipbrokers are all involved in this “branch” of shipping.

What I would like to relate to you is how the Shipbroker can be involved in this kind of trading and how the Ship brokerage activity can still be performed and improved by knowing some aspects of trading and of the sale and purchase of goods.

Even if trading of commodities is linked directly to the shipping and maritime worlds, let me make clear that the Trader of goods is not a Shipbroker and the Shipbroker is not a cargo Trader. They are two business figures, whose main activities are different from each other. A cargo Trader has more or less nothing to do with finding ships and the Shipbroker has nothing to do with the packaging of goods or whatsoever. Both have precise responsibilities to face and to respect. So, how can these two business characters “get along” and how can Shipbrokers improve their activities by knowing some trading aspects? Just some bits of information exchanged with a Trader or industry regarding the sale and/or purchase of a commodity and a bit of perception can be of support to Shipbrokers, so they know that the sale and purchase contract is referred to a certain amount of cargo which has to be shipped in X number of lots of Y amount of tons and Shipbrokers can immediately start to focus on the list they have of Shipowners and owners’ brokers regarding the size of interest. The same thing happens if trading areas, loading or discharging port(s) are stated in the sale and purchase contract. In this case, I would add that the Shipbroker can also be helpful to the cargo Trader or industry as the Shipbroker could know about any restrictions in the loading or discharging port(s) stated in the contract, giving information to the Parties involved and of course giving eventual adjustments on shipments’ sizes because not every port in the world can accommodate vessels of all sizes.

Last but not least, my personal note is if Shipbrokers are able to know about the time periods of the shipment(s), they can beat the competence off. Of course acting “off market”², avoiding the big competence worldwide must be first authorized by the Parties involved and must be done in an ethical way, which is the basic and main behaviour for a good and well referenced Shipbroker.

In the background of what I wrote above, there is the well known “networking”, which, in my case, means to get to know people involved specifically in trading and people working in industries for the import, export and commercial departments of a company.

Networking is fundamental in shipping and luckily there are shipping and maritime Associations, Organizations, seminars, conventions, courses worldwide, that all have more or less the same aim (among many other aims): to develop networking. By developing networking and getting to know more topics, people and companies, Shipbrokers can enlarge their perspectives, trying to create new business that still have to do with Ship Brokerage or to get the trust they need from companies by learning new shipping topics and being able to discuss with anyone from this field, but mostly by giving suggestions, just like a good Shipbroker would do, to clients thanks to the knowledge they have gained during a particular shipping seminar or after sharing information with other Shipping Operators.

² “Acting off market” means working without circulating to many contacts any requests.

In my case Shipbrokers, who have the chance to meet Traders or people from industries, should really take care of such contacts in order to take a look inside their “world”, to suggest to them the best shipping aspects and of course gaining their trust. Even if the mere Shipbroker would wait for orders to come out in the market, in order to find the suitable vessel and hopefully start a negotiation on laycan, freight or whatsoever, Shipbrokers of 2015, considering especially the big financial crisis the world has been facing in the last 6-7 years, should take advantage of the relationships they have and sharing knowledge, so they can show their contacts that they are the best instigators and not only will they be able to find the right ship but they can guide their contacts on the best strategy to take regarding dates, trading areas, lots and price and of course many other points.

For example, let me write a few lines on price: in a sale and purchase contract, we have the price at which goods are sold and it is expressed in shipping “FOB”³, “CIF”⁴, “C&F”⁵, “DES”⁶, “DEQ”⁷. These are the well known Incoterms, of which the latest version is dated 2013, and not all of them are applied to maritime situations. That is why I stated only the ones, which denote maritime Incoterms and are most commonly seen in sale and purchase contracts of goods. The most seen expression we could notice in a sale and purchase contract of goods could be something like “Usd 62.- FOB Santos”, which means that the buyer buys the goods at Usd 62.- per metric ton, taking care of them as soon as they cross the ship's rail, bearing all responsibilities and costs involved from that moment. “Santos” indicated after the cargo price is the place from where goods are shipped or the place where the buyer buys the cargo.

Instead in the contract for the transportation of goods, the price is known as “sea freight”, which is expressed in Voyage Charter Parties “per metric ton f.i.o.s. l/s/d”⁸

The sea freight can be given or thought by Shipbrokers in accordance to the market levels and it is usually included in the price at which cargoes are sold, so if Shipbrokers have an indicative idea on the budget the industry wants to pay for the cargo, Shipbrokers know approximately the sea freight level so they can “move” quite easily in any shipping negotiation because they know the industry’s budget. In this way, Shipbrokers are not disturbing the industry or either Charterers so much, asking permission for any kind of “number”, which appears as sea freight, and Shipbrokers can evaluate any potential strategy, in order to get their Client’s attention or to lead a smooth negotiation for the transportation of goods.

³ “FOB” stands for “Free On Board”

⁴ “CIF” stands for “Cost Insurance Freight”

⁵ “C&F” stands for “Cost & Freight”

⁶ “DES” stands for “Delivered Ex Ship”

⁷ “DEQ” stands for “Delivered Ex Quay”

⁸ “f.i.o.s. l/s/d” stands for “free in out stowed lashed/secured/dunnaged”. “F.i.o.s.” is usually used for bagged cargoes, then it is possible to find “f.i.o.s.t.”, which stands for “free in out stowed timed” and it is usually used for bulk cargoes. “L/s/d” can be added and it is usually used for steel, project cargoes or similar.

Therefore, these kinds of Shipbrokers would be a lot of help to industries and Traders and they would enrich their role with additional information from the sale and purchase contract or negotiations and by anticipating actions to prevent confusion and probably a disservice. BIMCO⁹ would probably wonder “what about Shipowners? Are they receiving any benefits from Shipbrokers like these?”, in my opinion yes, they are receiving benefits because Shipbrokers, who keep an eye on sale and purchase items and negotiations and keep contact with Traders, industries or even Shippers and/or Receivers, can analyze carefully if the cargo is firm, if the account involved can be trusted or not, which dates for the shipment are expected and so on. So Shipbrokers can give anticipations or information before negotiating firm a ship, allowing Shipowners to be aware about the cargo's readiness and status and giving Shipowners eventually other possibilities that are out in the market without losing time to negotiate something not firm or something that shall be revised.

In the sale and purchase contract of a commodity, it is usually indicated how the vessel should be with regard to the ship's structure (box shaped, with bulkheads..), age and sometimes even class (IACS class required). These information are really useful and important for shipbrokers, in order to search for the right and most suitable candidate. A ship's structure is also vital for the loading and discharging operations and for the carriage itself, in fact some cargoes can require special care in their handling or carriage, so it is extremely important to pay attention to what is stated in the sale and purchase contract of the cargo or what the Client asks for with regard to the ship's structure.

If a vessel does not comply to what is requested in the Contract, there could be damage not only to the cargo but also to the industry, as it has to suffer all costs due to damage caused by obstacles inside the vessel's holds such as frames for bagged cargoes, wrong temperature at which the cargo was carried, lack of watertight conditions on the hatches and many others. Among the costs, we can find also extra insurance due to a ship's age. In shipping, extra insurance is usually applied when the vessel's age exceeds 15 years, in which case the industry or either who charters the ship must pay for it. Sometimes age restrictions are stated in the sale and purchase contract of goods, or other times can be anticipated by Shipbrokers themselves as they could have quite a good experience for the trade they have been asked to work for. This latter anticipation is something that Shipbrokers should always keep in mind, as they should base their work on giving anticipations to their Clients, in order to “surprise” them with great professionalism. In fact good Shipbrokers, with a couple of years of experience, especially nowadays that everybody feels the desire to be taken care of and to be followed day by day, should anticipate many actions that industries or other Shipping Operators would do in order to protect their interests. Of course I am not talking about acting on behalf of an industry without its authorization but I am talking about Shipbrokers “being there” even when the industry does not need them.

Just to mention, all industries and Charterers want to have nice young “ladies” with the highest class but depending on the sea freight budget and to other commercial and financial aspects, shipbrokers try to optimize all aspects either commercially and/or regarding shipping, in order to make the vessel fit with all contractual items.

⁹ “BIMCO” stands for “Baltic International Maritime Council Organization”

Not only before negotiations, but also during the negotiation itself, Shipbrokers of this kind can give help and support, as they could know or obtain information about Bills of Lading items and wordings and loading or discharging terms. With reference to the Bills of Lading, Shipbrokers, who have given a look on the sale and purchase terms of the goods, know if the documentation, which is related to, requires “Clean on Board” Bill of Lading or the note “Freight Prepaid” to be inserted. Once the required wording(s) is known, Shipbrokers can speed up some steps of the negotiation asking if Shipowners are ok with “Clean on Board” Bill of Lading, or asking for a prompt freight remittance if “Freight Prepaid” is required.

On loading or discharging terms, shipbrokers could also be of support to industries, Traders and even Shipowners. First of all, if Shipbrokers managed to take a look on loading or discharging rates and terms, they could anticipate or quote with these important items, the cargo order or the request, so Shipowners can give a more precise freight guidance or rate if loading and/or discharging rates are known from the beginning, avoiding “getting lost” on other terms and therefore being able to receive more precise freight guidance. Secondly, before finding a ship, Shipowners can be of support to industries and traders by suggesting the best loading and/or discharging rate(s) and terms by checking the port’s situation in case of possible congestion, bad weather conditions or whatever. This is done also in order to avoid eventual demurrages in case Charterers do not wish to risk losing money and time for something that they could not totally expect. This is a clear demonstration for which a good Shipbroker is better than the mere Shipbroker who just passes offers and counter-offers. Shipbrokers who have contacts with Agencies and/or other Shipping Operators, who want to give a 360 degree service to their clients, will certainly have an easier path to the finalization of the negotiation.

Another particular item that could be discussed also in trading negotiations could be “demurrage”¹⁰ and “despatch”¹¹. Demurrage and despatch are usually linked to shipping but since they are touchy subjects, they can be noticed during discussions with Shippers, Receivers and Charterers. Shipbrokers, in such case, should carefully follow demurrage or despatch discussions and loading or discharging operations together with the status during the vessel’s employment, in order to give an efficient service and hopefully good advice on actions to be taken, especially before finalizing a transportation, by studying situations with Shippers, Receivers or Charterers and of course with Agencies, in case the port involved is congested or is suffering any delays due to strikes or whatsoever, and then to Shipowners, because Shipbrokers, by analyzing situations with all Parties involved, could anticipate and give precious information to Shipowners, who then can decide how to act, respecting of course what has been agreed in the Charter Party.

¹⁰ Demurrage is a shipping concept applied when all laytime permitted is used before the completion of cargo operations. It consists in a monetary amount, negotiated and agreed during a shipping negotiation, usually indicated “per day pro rata”

¹¹ Despatch is a shipping concept applied when a vessel completes cargo operations within the available laytime. The Charterers will be rewarded by the payment of despatch money, which is normally set at half the daily demurrage rate. When no despatch is applied, it is usually stated “free despatch”. Instead, when despatch is applied, it is usually stated “half despatch”.

More ports and their operations could in all likelihood be affected by demurrage more than some others, so it could be normal to ask for guarantees on demurrage. Traders or Commercial Operators, whose needs are shipping goods by sea, could think about such guarantees but, as mentioned above, the concept of demurrage is more linked to shipping, so good Shipbrokers could open traders and Commercial Operators' eyes by talking to them about any guarantees on demurrage. So once again, we see that shipping and trading have common aspects, which via a good Shipbroker or Trader, could be noticed and faced easily.

Another aspect that belongs mainly to the commercial world but on which shipping can also depend, is the periodicity. Every country and type of cargo have their high seasons and some cargoes could be demanded more than in other periods of the year. These increase the shipping expeditions and if Shipbrokers know about such periodicity, they can prepare themselves in advance. It can take only one simple action: having a look on a ship's position in advance. What does it require? A good Shipbroker, who is curious to know deeply about the trade, and wants to act faster and more efficiently in the market. This item is simple and is in the basics of trading and commerce but it does reflect on shipping and, in my opinion, it should be something that Shipbrokers should be aware of, especially when negotiating a ship's employment for future periods or for more than one single voyage.

What I am going to write about now does not have a direct connection with shipping, but it could be considered the backbone on which the sale and purchase of a commodity stands but especially happens. We would retain as the main backbone the Incoterms, which I mentioned before. Incoterms are the terms known worldwide in trading that settle the responsibilities held for different parties, stating duration, place and whatever falls in the sphere of the buyer and the seller of the goods. The scope of Incoterms is limited to matters relating to the rights and obligations of the Parties to the contract of sale with respect to the delivery of goods sold. With regard to the legal nature of Incoterms, they are not compulsory rules imposed by law, but they are just interpretational rules, which are used only if mentioned in contracts of sale.

Indeed, the sale and purchase of goods happen because there is a complex and solid system behind and it is all concentrated in the methods of payment. There are various methods of payment and just to mention a few, we have: Cash with Order, Open Account, Bill of Exchange and the Documentary Letter of Credit.

In considering methods of payment and the financing of overseas trade, we shall be concerned with two main aspects; firstly securing of payment, safe and correct delivery of goods and secondly, the implications certain methods of payment or financing in international trade have for those in shipping.

Last but not least every method of payment involves some costs and there could be methods more advantageous for the Buyer or for the Seller. Among the methods of payment I listed above, the most common one is the "Documentary Letter of Credit" which is also considered to be one of the safest and fairest between the seller and the buyer. In order to issue a Letter of Credit correctly, it is requested to show specific documents to the Buyers. There are time limits to respect and of course no wrong notes or remarks should be inserted, in which case, this document is not retained valid and the sale and purchase contract cannot be materialized, so consequently no shipments can be performed. Also insurance cover on the cargo must be in accordance with what is stated in the Letter of Credit and in the Contract.

As we can see, this document can be found in many commercial situations and Shipbrokers must know the existence of this document, what it is and its purpose. Only once the letter of credit is in accordance with everything asked by banks, commercial rules and all the relevant documentation, can we get closer to the finalization which will allow the shipments to start and hopefully proceed. Of course money must be duly received in the sellers' bank and we can try to get swift proof of it, then shipment schedules will respect what is agreed in the sale and purchase Contract and Shipbrokers will be entitled to look for the suitable vessel or either to employ a vessel for a Time Charter.

As soon as the foundation is done, it is the moment for the Shipbroker. Shipbrokers are usually entitled by industries or commercial companies to look for a suitable ship which satisfies all their requests, which can also concern and imply a maximum age for the performing ship, a particular structure (for example sometimes box shaped vessels are imperative or required by Receivers, in order to perform the discharging operations easily or this kind of ship can be asked for, for particular cargoes, in order to avoid any damage to the cargo during its transportation or during the loading and/or discharging operations). Industries and Charterers quite often correspond with each other and they instruct their shipbrokers with all the information needed. Once they are in possession of all information, following the instructions of parties, Shipbrokers will find the right candidate at the right price.

The particularity is that this kind of Shipbroker has a deeper knowledge and flexibility than other Shipbrokers as the shipping theory states. What they have is a background on the cargo situation and the awareness of what there is behind it, which allows them to move easily in any negotiation and apply a strategy in order to finalize the business efficiently. They would also probably be able to give a more efficient service to their client during the voyage or the employment of the ship, by checking a port's situation, drawing up a draft laytime calculation so charterers and/or other parties like Shippers or Receivers are well aware how much time they have before entering demurrage and so on.

Once networking is established and maintained with industries and Traders with the main purpose to have a look or chat about the sale and purchase of goods, allowing shipbrokers to act better in the shipping market, shipbrokers should be aware that contacts with ship agents have a great importance too. The reason is that if shipbrokers know, from the sale and purchase Contract or from information of the industry or the Trader, which ports or areas are involved, they can check in advance the status of such areas or ports and.. who can we find in ports, or who has a better knowledge about a specific area? In my opinion, it is the Ship Agent.

Ship Agents can develop a nice professional relationship with Shipbrokers and vice versa, supporting and helping each other regarding many aspects. Shipbrokers can support ship agents with information on the fixed ship and on their owners or with brokerage terminology, sometimes they can also give instructions on Bills of Lading in case any kind of wording is needed or special care and attention to this important document, or even the cargo, is required, and they can be the right channel in case ship agents are contacted by possible industries or Shipping Operators interested in developing the carriage of goods by sea.

Instead, Ship Agents can give full support to Shipbrokers on ports or geographical areas regarding restrictions, indicative disbursement accounts, that could be useful if Shipbrokers need to run a freight guidance calculation, a port's status (if there is congestion or not), loading or discharging prospects, Bill of Lading situation, cargo situation in case there are few trucks or some problems occur, and of course trouble with the crew, that could delay the normal operations and the bureaucracy behind it. By having this kind of relationship, Shipbrokers could expand their vision and skills and operate in a better and more complete way. It is quite common to find commercial companies that know nothing about shipping, ports and everything linked to the maritime world. It is something appreciated if Shipbrokers suggest to their commercial client one port rather than another because of congestion, restrictions or whatsoever or to suggest loading and/or discharging rates that could actually be performed in a port and hopefully avoid demurrage and even make some money just like the cases where the dispatch clause is agreed.

Another important item which covers trading, shipping and Ship Agents' operations is the presence of any taxes due, or new regulations on vessels or crew, or on cargo, import and export. Usually good Traders or industries should be updated with any possible taxes or new regulations, which for good order sake and if considered logical, should be inserted into the sale and purchase contract; or ship agents could anticipate and update Shipbrokers with such items that are really important, in order to avoid misunderstanding with all Parties involved in the carriage by sea. This enhancement of information also allows to extend Shipbrokers' possibilities by gaining other operators' trust with new information given in advance as it can be difficult to get such information from normal media and the internet. In my opinion, in these cases, direct contact with entities or people on site is the best way to get everything detailed.

I wrote about the backbone of trading: Incoterms and methods of payment of the goods, but as a shipbroker myself, I would like to add a few lines about the backbone of the final result of a shipping negotiation: the well-known Charter Party.

The main and most used forms of charter parties are prepared and issued by BIMCO and there are various kinds, depending also on the trade and the cargoes that Shipbrokers have fixed. Some are just for grains, some others are for the hire and charter of barges and there are also many others types.

The most common form for dry cargoes, especially for a spot voyage is the Gencon 1994, which is quite a simple format for shipping in which shipbrokers, who issue the charter party of the fixed voyage, insert all the main aspects and items of the negotiation on the front page and they complete the contract by issuing and the "Rider", in which all additional clauses are inserted.

Instead for time charters, the "NYPE 1993" is mainly used and is still issued by shipbrokers who have managed to conclude a long term vessel's employment. Usually charter parties are requested by charterers and by Shipowners for their files. I consider charter parties the backbone of shipping business because they state clearly all conditions and terms to be respected when the voyage or the long-term employment of a ship is performed. It is not common that cargo Traders or industries understand about these shipping Contracts, so that is why the Shipbroker is there to help and clarify all necessary points. Shipping Contracts show some details that we can also find in a sale and purchase Contract of goods, such as dates of shipment, features that the ship must have, loading and discharging ports, and loading or discharging rates.

I would say that this is the most clear demonstration that shipping and trading do get along and they can affect each other, especially thanks to the knowledge and experience of a good open-minded Shipbroker.

So, history has seen so many figures and roles, new innovations and the battles to realize the same. As mentioned at the beginning of my paper, every historical period requires humans to adjust their mentalities and lives to such new periods and especially, with the present economical crisis that the world is still facing, every profession and every person have somehow to be adjusted to the new criteria demanded by industries, commercial companies and commercial markets.

Personally, I think that the keys to such adjustment can be: innovation, networking and knowledge.

That is why Shipbrokers, if they want to be noticed or to be efficient and also keep up with the present time period, should adjust their ways of working and doing shipping negotiations and activities, by taking advantage of networking possibilities and the many seminars and conferences worldwide about various aspects of shipping, in which Shipbrokers have either the possibility to get to know new operators and to learn new items.

This profession has a very solid and wide background and there are so many shades that we can explore and use for our interests. In my case, trading is behind any shipping negotiation, because, in order to do the “shipping part” (i.e. to ship goods), goods need to be sold from the seller to the buyer and once all the credit documentation has been settled, shipbrokers are there to find the most suitable ship for the transport. Only by having professional relationships and by sharing information and sometimes even rumors, Shipbrokers can get to know so many aspects and improve their ways of working. Moreover they can expand their knowledge and hopefully prevent some commercial steps, which could cause delays or complains.

My paper has the aim to talk about a new “kind” of Shipbroker, who is becoming more popular and I hope I have explained it, together with all its aspects and details that are related to, both technically and generally. Secondly, I would like to invite young Shipbrokers, agents and workers from any commercial field to enlarge their perspectives for the future and of course, in today’s present economic situation, taking in consideration what they have and what they know, the people they know and the ideas they have or can think of.

Work requires strategy but strategy needs knowledge and a bit of creativity, especially now in 2015. When someone has to do with a specific topic or shipping project, in this case, it is vital, in my opinion, to think about what there should be behind this in order to realize the project or to develop the topic, what the other party can ask for, what I should think of, in order to anticipate potential actions or questions from the other party. My figure of the “Shipbroker-Trader” should be someone with these capabilities. Being able to finalize a contract for the transportation of goods, avoiding making a lot of noise and confusion in the shipping market and by anticipating major items, could be a type of service appreciated by industries and Shipowners, which allows Shipbrokers to enlarge their knowledge and giving them the possibility to converse with any Shipping Operators.

One small “apostrophe” I would like to write about and make young people and workers worldwide aware of, is that when you work on something, your work or project could always receive and be affected by external influences, which could change drastically your plan. The Shipbroker’s job as I see it and how I described it in my paper can be affected easily by the external world. Economy or specific trading or shipping fields can develop chain reactions which could improve or worsen negotiations, freight and goods prices levels and so on.

So let’s keep our eyes wide open and use our skills with a touch of networking and creativity to “sail” smoothly in shipping and to build new and innovative job structures for our future, giving our professional roles an additional value.

“MORE THAN A SHIPBROKER:
HOW TRADING OF GOODS CAN AFFECT SHIPPING NEGOTIATIONS”

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Born in Naples on April 10th, 1984, she knows the world of shipping since her childhood, thanks to her father who passed on her the passion for this job. She has a degree in Business Administration, awarded by the *University of Naples "Parthenope"*, where she continues to collaborate for the seminars in shipping. She began working at the *"Marinter Shipping Agency Srl"*, a shipping agency based in Naples, in the 2007. Since November 2014, after passing exam in chamber of commerce, she became ship agent recognized in the special order. Later she made her entrance into the board of the *"Marinter Shipping Agency"*, becoming advisor. She is member of the board of directors of the *"Young Italian Ship Agents Association"*. In the 2013 she was involved in setting up of *"YoungShip Italy"*, becoming then member of the board of directors of such association. She loves the fashion, the opera (especially *"La Traviata"*), the novels by *Jane Austen* and the paintings by *Caravaggio*. Luisa dreams of taking part in an executive master's degree in business administration. She defines herself as enthusiastic about life and...*shipping!*

FONASBA YOUNG SHIP AGENT AWARD

“Strategic choices in
the maritime field:
the role of the
shipping agency”

Luisa Mastellone

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“Strategic choices in the maritime field: the role of the shipping agency”

1. The system of strategies in the maritime field

Sea has always offered the possibility to carry people and things in the space, allowing the civilization to qualify and gradually boost maritime transport, increasing capacity, the speed and safety of navigation. Indeed, in the ongoing process of integration of the world economy, maritime navigation ensures the connections between the different continents, representing probably the most important mode of transport in terms of volumes transported.

Maritime transport is able to produce the transport services, as well as a range significantly higher than other types (road, rail, air), with costs much lower; conversely, it requires large quantities of products to be transported for single trip, to reach the saturation on the vessel and, consequently, to a low cost per unit of cargo carried (Ferrara G., 1973:21) ¹

The production function of transport services is characterized by economies of size. Sea transport is characterized (compared to other methods) to lower unit costs; the displacement of the installation vessel is on a surface equivalent, and the effort necessary to the displacement always remains far below that required with other modes of transport. In this sense, the hydrodynamic resistance which opposes the displacement of the hull in the water increases less than proportionally with increasing size of the ship, thus, the energy required to move a ton of load at a given speed decreases as the size of the vessel (Petriccione S., 2006: 48-50).²

The industry and the maritime sector is characterized by the multiplicity and complexity of the economic-financial and equity dynamics and also by the issues concerning the territorial, regulatory and politicians delineations of market areas in which the seagoing service is provided. The high intensity of capital necessary for the activity of transport by sea and the technological innovation, both plant-ships and of the port nodes, the dynamism of the freight market and the political economic/social market areas served, as also the country in which the vessels are registered, are just some of the elements of these movements (Di Vaio A., 2011: 12-14)³.

The activity of maritime transport can not be considered clearly separated from the port activity.

The ports play a vital function of interconnection between sea and land.

¹ Ferrara G. (1973), *Aspetti e problemi del trasporto combinato*, Liguori Editore, Naples.

² Petriccione S. (2006), *Il trasporto marittimo* in Petriccione S., Carlucci F., *Economia dei trasporti*, Cedam, Padova.

³ Di Vaio A. (2011), *Managerial accounting nelle aziende di navigazione marittima*, Enzo Albano Editore, Napoli.

The port consists in terminals dedicated to both the handling and storage of goods, and transit of people. A port appears therefore as a logistic and industrial complex, which plays an active role in the global systems transport terms (Midoro R., Parola F., 2011: 186).⁴

The port is considered a service structure, being the same a complex and articulated reality where the loading/discharge, storage and forwarding/reception are carried out through production processes that are characterized by a strong diversification with respect to the technology used (plants quay and yard equipments), to the services offered (handling, logistics, value-added services) and to the customers seaside (shipping companies) and landside (road transport, forwarding, railways, etc.) (D'Aste G., Ghio L., Moglia F., 2012: 18-20)⁵.

A port with its terminals must include features to attract new traffic, or increase existing ones. In such way becomes important the role played from the hinterland and from the companies operating there. The advent of the naval gigantism⁶ has highlighted the centrality of drafts, and consequently of dredging. The role of the ports seems to be conditioning for traffic by sea and land-sea transport lines. In theory and in studies about the optimal range of the ship, in general, the degree of economic efficiency and organization of the ports is the factor that can afford, or not, to exploit economies of scale, and to the owners to achieve several jumps of quality in terms of investments of new type of ships (Marchese U., 2001:33).⁷

The transport by sea also assumes a chain of services, of companies, of public and private organizations, of economic, administrative and social relationships with the aim of organizing everything so as to achieve maximum utilization of the capacity of means of transport and the maximum conformity of the landing points to the needs of the traffics (Menghini G., 1970: 19)⁸.

The actors of the maritime transport established between them very complex relationships, which develop along the entire productive chain. All actors working together to ensure efficiency and effectiveness in sea transport.

Shipping companies are the “suppliers of raw materials”: the ship.

The availability of the ship is a necessary condition for the exercise of the navigation and the concentration of capital in few inputs not easy disposal determines the rigidity of the economic and productive co-ordinations. The specific nature of the businesses, the system of relationships and the economic and organizational variables can be grouped according to the influence played on the activity of transport; in this way the industry can be, conventionally, divided into compartments of the Tramps, of the Liner and of the cruises identifying for each of

⁴ Midoro R., Parola F. (2011), *Le strategie delle imprese dello shipping di linea e nella portualità*, FrancoAngeli, Milano.

⁵ D'Aste G., Ghio L., Moglia F. (2012), *Nuovo manuale dei traffici marittimi*, Redazione, Genova.

⁶ The naval gigantism is related to several interacting factors:

- the huge increase in demand for mineral oil and coal, to transport by sea even at very great distances from producing countries to industrialized countries;

- the significant reduction in the cost per tons transported by ship to grow the reach of the ship and it is more along the sea route (Benassai E., 2008).

⁷ Marchese U. (2001), *Economia dei trasporti marittimi: argomenti e problemi*, Bozzi Editore, Genova.

⁸ Menghini G. (1970), *Tecnica commerciale delle imprese di navigazione marittima*, Cacucci Editore, Bari.

them the transactional, competitive and relational scope linking each company of the sector to the external environment. The peculiarities of the tramp companies can be attributable to the type of service rendered and the procedures for acquiring traffic volumes: the service is provided without timetables and fixed routes for transportation of bulk cargoes. The liner service is presented with a complex organizational structure, for both the entity of capital invested that for the management costs. The liner service requires regular departures to organize in terms of quantity and time, in order to respond to the average flow of traffic expected for a given route. The service produced by a liner shipping company is to transfer the goods from places, where the utility is marginally lower, in places where it is relatively high (Di Vaio A., 2011: 10-25).⁹

Goods and people are the subject of transport; the shipping company can carry only goods, only persons or both. According to the scheduled routes, the service can be organized for business strategic areas (BSA): one line and one route (one-line/route), or units comprised of multiple lines and more lines (multi-lines/routes) (Di Vaio A., 2011:27).¹⁰ The cruise sector is managed almost like the liner segment, but the discriminating element between the two is the type of demand served: in the first case it originates in “free time” of potential cruise passengers, in the second, in terms of commercial nature (Di Vaio A., 2006).¹¹

The user with liner transport requires frequency, reliability and cheapness. For the industries, in fact, the continuity of departures allows to match the needs of distribution and supply of goods quickly and with clear advantages in terms of reduction of stocks. This type of service is primarily used for the transfer of general cargo: the capacity of ship’s hold is saturated by numerous consignments of unitary dimensions (Midoro R., Parola F., 2011:75).¹²

As part of the general cargo we can include the major categories of unitized loads (container, trailer, pallet, barge).

From the point of view of the demand, the container is now recognized as the first choice, often the only taken into account, for the transportation of finished products and semi-finished products, but also, and more and more, of certain raw materials.

On the supply side, technology, equipment and the also called cellular ships are globally widespread and available to all operators. The high degree of technology diffusion is added the fact that these are highly standardized. The substantial non-product differentiation on the market has meant over time that the focus on marketing and on critical successful factors it is oriented towards the reduction of production costs of the service and on a greater focus on customer needs and quality.

From the point of view of the available capacity on the market, impressive growth of the demand and the rise of the container as the main technology for the

⁹ Di Vaio A. (2011), *Managerial accounting nelle aziende di navigazione marittima*, op. cit.

¹⁰ Di Vaio A. (2011), *Managerial accounting nelle aziende di navigazione marittima*, op. cit.

¹¹ Di Vaio A. (2006), *Strumenti di cost accounting nella conoscenza del rischio nave-linea*, Enzo Albano Editore, Napoli.

¹² Midoro R., Parola F. (2011), *Le strategie delle imprese nello shipping di linea e nella portualità*, op. cit.

transport of goods have encouraged the pursuit of global carriers on the one hand to the growth in size of the ships and the other to displace a growing number of services.

Given the changing and growing needs of its customers, the role of the shipping company has required a major redefinition, oriented in the first place, at the expansion of the range of the services offered, not merely in geographical terms, but also from the point of view of the extension of the value chain, in order to offer door to door and logistics services (Midoro R., Parola F., 2011: 111-113).¹³

The shipping companies, in order to obtain economies of scale techniques, they have had to rely on organizational and strategic issues. The need of a presence on an international scale and the simultaneous development of gigantism have prompted the companies to increase the overall size of the fleet and the overall capacity of transport. The minimum size threshold required for a company wishing to enter in the industry not merely to operate within submarkets of niche is therefore still rising. The financial needs imposed by the competitive pressure means that the market for maritime transport of containers is due to the conceptual category of the sector based on high volumes, which, in other words, the control of high market shares and the achievement of large volumes of production appears to be the main instrument of competition among firms.

In the liner transport the ways in which to pursue a growth strategy (horizontal), in ascending order for functional integration, they are the follows (Midoro R., Parola F., 2011:146-149):¹⁴

1. organic growth of the domestic fleet through the purchase of new ships at the shipyards, and vessels used on the market of the second hand. This organic growth happens often also through the chartering;
2. consortia;
3. global strategic alliances; these are forms of cooperation representing a break from the previous experiences of the conferences¹⁵ and consortia. These agreements are focused predominantly on cost control and are no longer limited to individual services, but aspire to cover all the routes south-west (transpacific, transatlantic and Europe- Far East);
4. merger or equity joint venture between two (or more) shipping companies;
5. takeover (acquisition of the controlling stake) of other carriers; it is a very aggressive growth mode and aims to acquire fleet of competing companies and to enter quickly in new markets.

¹³ Midoro R., Parola F. (2011), *Le strategie delle imprese nello shipping di linea e nella portualità*, op. cit.

¹⁴ Midoro R., Parola F. (2011), *Le strategie delle imprese nello shipping di linea e nella portualità*, op. cit.

¹⁵ Midoro R., Parola F. (2011), *Le strategie delle imprese nello shipping di linea e nella portualità*, op. cit.

The last two options (4 and 5) and the organic growth have a direct impact on the internal organization of the carrier and its capital structure. Conversely, consortia and global alliances are forms of cooperation that do not affect aspects of equity, as they set out to collaborate in the management of available resources to contain costs, thus preserving the identity of its members. The adoption of such strategic choices (1, 4 and 5), has also induced a significant consolidation in the industry and has resulted in the growth of the bargaining power of the carriers to suppliers, upstream, and shippers, downstream.

In particular, the development of strategic alliances and the growing participation in the consortium agreements has increased the bargaining power of the companies with the terminal companies providing of handling services.

The degree and the size of integration have a different influence on shippers and port services suppliers, because how higher is the level and the “scale” of the integration, greater is the bargaining power available to the carriers. A shipper or a terminal operator who is in the position haggle a service with shipping companies large and highly integrated, will have significantly smaller chances of access to better conditions compared to one that is proposing his offer at a medium-size carrier.

1.1. The choices of vertical integration of the liner shipping companies in port area

The terminals can be defined as “the subjects which bring into phase the different segments of transportation” (Midoro R., 1995: 739).¹⁶

In particular, the terminal operator working in the field of container traffic is called to play a key role in the intermodal cycle, as the interface between the maritime mode and articulated terrestrial networks (road, rail and inland waterways). The relationships between terminal operator (provider) and shipping company (customer) increasingly take on a crucial role in determining the success, or failure, of their respective business strategies. This is a consequence of a complex supply chain and of the delicate positioning that finds in it the terminal operator (Midoro R., Parola F., 2011:192).¹⁷

The rising of international stevedores by the high bargaining power and the growing need for dedicated services of handling to support related maritime networks have led shipping companies to enter massively in the port business. In this way some shipping companies have decided to integrate vertically, investing in the equity capital of terminal companies and, in certain case, directly managing activities of handling (Midoro R., Parola F., 2011:235).¹⁸

The liner shipping companies operate, therefore, in a market context different from their core business and, in order to support the transportation by sea with a their terminal network, normally run each facility as cost centers. In this case an increase in

¹⁶ Midoro R. (1995), *“Riflessioni sull’impresa terminalistica portuale”*, Economia e diritto del terziario Vol.2.

¹⁷ Midoro R., Parola F. (2011), *Le strategie delle imprese nello shipping di linea e nella portualità*, op. cit.

¹⁸ Midoro R., Parola F. (2011), *Le strategie delle imprese nello shipping di linea e nella portualità*, op. cit.

efficiency is achievable through a coordinated and a tight integration between the two businesses (Turner H.S., 2000:283-301).¹⁹

Through our analysis there is on one hand the emergence of terminal operators increasingly aggressive on international stage and with increasing bargaining power; but on the other hand, the dramatic increase in the volume of maritime traffic, has caused a lack of terminal capacity in different port areas, exposing carriers to potential operative inefficiencies and negative effects in the economic and financial field.

1.1.1. The main drivers

At the base of the vertical integration process in the seaport systems by shipping companies can be recognized different drivers (Midoro R., Parola F., 2011: 253-262):²⁰

- *“defense” of the maritime assets*; the race to the “naval gigantism” and the consequent use of ever larger cellular ships has on the hand allowed the reduction of unit costs, but on the other has imposed the shipping companies massive investment. The “naval gigantism” implies not only huge financial outlays in the maritime field, but also the need to not come to nothing these investments by inefficiencies and delays that often are generated in port area. And it is properly through investments in container terminal that the shipowners want to protect their maritime assets under a strictly financial point even before operating;
- *control of the port costs*; the major shipping companies have in many cases a sufficient bargaining power to negotiate special price agreement with terminal operators without recourse in investments in its terminals. Furthermore, even in presence of high terminal handling charges, a carrier might try to negotiate better conditions with the chosen terminal, without having to enter in the shareholder structure. In the geographical areas most congested, in which the saturation of the spaces is very high (Far East, North Europe, etc.), the shipping companies are faced with oligopolistic situations, where there is low chance to move from one terminal to another. In such market conditions is rather difficult to evade the bargaining power (which often results in high terminal handling charges) of the terminal operators and the shipping companies. If the shipping company have the chance in terms of internal resources and concession spaces available, choose more and more often the way of vertical integration;
- *search for economies of scope*; as a result of the profound changes occurring in maritime transport, the carriers have had a growing need to “integrate” the container terminals scaled with their network of maritime service, in order to

¹⁹ Turner H.S. (2000), “*Evaluating seaport policy alternatives: a simulation study of terminal leasing policy and system performance*”, Maritime Policy & Management.

²⁰ Midoro R., Parola F. (2011), *Le strategie delle imprese nello shipping di linea e nella portualità*, op. cit.

increase their profit margins. In this way they want to create new synergies with other actors of the supply chain;

- *reduction of contestability of the liner market*; the availability of its terminals capable of delivering to the company services dedicated and at highly competitive prices, is able to make the liner sector less contestable. The companies with port terminals and thus free to consider the terminal handling charges as an internal cost, can fix port to port freight rate, including maritime transport and port handling. The terminal handling charges, in this case, will be equal to the average costs incurred in the production of the service, getting even a profit equal to zero or least below the industry average. In this way, the potential new entrants in the liner market (outsider) are also forced to invest into the port handling sector, if they want to adopt a similar and equally competitive cost structure. This necessity implies for companies incurring in additional disbursements (participation in tenders, superstructures, concession fees), indispensable for the realization and the operations of a port terminal. Therefore, their presence in the liner market leads to a raising of the barriers to entry (Geroski P.A., 1995:421-440)²¹, reducing the contestability of the sector;
- *availability of trans-shipment hub*; closely related to the search for economies of scope by global carriers, is the strategic need to create a network of own trans-shipment facilities, localized than the market to be served and to the structure of ocean services. The companies seek facilities that minimize the diversion distance from the ideal route and offering reliable trans-shipment services at competitive prices. In these aspects lies the strategic importance of the trans-shipment for the companies who want to give greater efficiency to the entire maritime network;
- *creation of a port network instrumental to customer needs*; since many global carriers are evolving their role from simple carriers by sea to logistics service providers, the need to have container terminal integrate in the entire transport chain becomes a critical success factor, in order to meet the changing needs of logistical and distributive nature of large shippers (manufacturing enterprises, retailers, importers, international freight forwarders, etc.). In this scenario, both the liner shipping companies that the shippers consider the port facility not also as a simple transit point, but as a key node for access to the entire supply chain. In this meaning, the shipowners must to match the priorities expressed by the customer and its capacity to manage the entire supply chain through the services offered;
- *management of terminals as profit centers*; in recent years some companies are starting to interpret the port handling business in a very different way, going beyond the simple vertical integration to look for synergies with own maritime services. Is taking the field, in fact, the tendency on the part of some players to manage facilities with the aim to create value and generate profits, attracting third party traffic (third shipowners). In this progressive change of strategy aimed to follow, albeit in a different way the “footsteps” of terminal operators,

²¹ Geroski P.A. (1995), “What do we know about entry?”, Journal of Industrial Organisation.

has given rise to a new category called “hybrid” since, as part of their network, manage some terminals as mere cost centers to service of the carrier, and certain others as profit centers. Although, “genetically” linked to a shipping company, these companies are trying to free themselves from the shipping group’s origin and appear on the market with a marketing approach more and more “independent”, aggressive and focused on the “third customer”;

- *reduction of the introductory time of the vessel: the stop in port*; the most of the recent studies focused on port productivity has identified in this theme the “cornerstone” able to allow the shipping companies to obtain high economies of scale in the maritime route without losses of performances in ports. The ship, in fact, generates profit when sails with full cargo, while, during the stop in port for the operations of loading and discharge, becomes an unproductive asset. Such priority has pushed many shipping companies to enter in the port business, in order to obtain more control on the operations of loading and discharge of containers;
- *reduction of the port congestion and increase of the reliability of schedule*; in a multi-user terminal the presence of a plurality of clients with ships of large size often creates problems of overlap of arrivals. On the hand the chronic delays with respect to “ETA”, instead on the other the inability of the terminal operator to coordinate the schedules of several shipping companies; it happens so that the operations of the terminal are characterized by periods of peak and of “soft” very pronounced. Therefore, at certain times of the week, they highlight a lack of staff and spaces while, in others, the resources of the terminal (human, infrastructural, superstructural, etc.) remain partially or completely unused. These critical issues in the port have caused to the carriers growing problems of reliability in the management of the transit time and of the schedules of ocean services. Several shipping companies, therefore, have decided to use exclusive terminals and quays dedicated, in order to limit the negative effects resulting from the overlapping of arrivals in quays of multi-user type;
- *reduction of the growing constraints of nautical accessibility to the terminals*; the run to the naval gigantism by part of the major shipowners has met growing structural constraints in ports. The ships of latest generation, in fact, meet the physical limitations of accessibility to scale a terminal at full load, not only in relation to the draft in the quay, but also by virtue of technical and nautical conditions along the route of access to the port, if we are in the presence of man-made canals and rivers. The difficulties in carrying out any dredging, extremely expensive and often hampered by environmental constraints, sometimes inducing carriers to head to other ports. In this sense the recourse to the naval gigantism presupposes a preventive strategy by the shipping companies, which must be able to dispose, in the geographic areas where they will use mega-container ships, port facilities structurally adequate and technologically advanced.

It is obvious that the different motivations are interwoven each other and have, at the same time, reflections in the financial, economic, strategic and operational field.

The choices of integration in the terminal companies have involved not only the liner shipping companies but also cruise companies. As can be seen in Table 1, the three major cruise lines operating on Italian territory (Costa Crociere Spa, MSC Crociere Spa and Royal Caribbean Ltd.) have seen fit to acquire shares in the most important terminal structures dedicated to the embarkation, disembarkation and transit of the passengers. It is interesting to note that in the two terminals of Civitavecchia (“Roma Cruise Terminal Spa”) and Napoli (“Terminal Napoli Spa”) all three shipping companies participate in equal measure. In this situation the three companies take a cooperative attitude. A completely different situation is represented by “Palacrociere” in Savona, where “Costa Crociere Spa” has the full control of the shares.

Table 1 - Choices of integration of the cruise companies in the terminal companies

	CRUISE COMPANIES		
	Costa Crociere Spa	MSC Crociere Spa	Royal Caribbean Ltd.
	Palacrociere in Savona (100,00%)		
	Roma Cruise Terminal Srl in Civitavecchia (33,33%)	Roma Cruise Terminal Srl in Civitavecchia (33,33%)	Roma Cruise Terminal Srl in Civitavecchia (33,33%)
EQUITY SHARES OWNED	Terminal Napoli Spa in Naples (20,00%)	Terminal Napoli Spa in Naples (5,00%), (20,00% by Marinvest srl)	Terminal Napoli Spa in Naples (20,00%)
	Stazioni Marittime Spa in Genoa (5,91%)	Stazioni Marittime Spa in Genoa (5,91%), (13,23% by Marinvest srl)	
	Trieste Terminal Passeggeri Spa in Trieste (29,00%)		Ravenna Terminal Passeggeri srl (24,00%)

Source: Di Vaio A., D’Amore G. (2012:41) ²²

²² Di Vaio A. e D’Amore G. (2012), “Cruise seaports networks: key relationships indicators and information systems”, KMI International Journal of Maritime Affairs and Fisheries, Vol. 4, Issue 1, pp.

Within the strategies implemented by the shipping companies a significant role is assumed by the shipping agent. As we will see later, the shipping agent becomes the main catalyst of the choices of the shipowner.

2. The system of strategies in the field of the shipping agencies

To fully understand the choices made by the shipping agencies must distinguish between “one-firm” and “multifirm” agency.

The one-firm agency holds one mandate, so carries out own business activity exclusively on behalf of a single owner.

The multifirm agency, instead, acquires more mandates from various shipowners, becoming in this way the representative in that single port of different shipowners.

The “one-firm” subject is seen especially in the liner field, where the regularity of arrivals and departures did arise spontaneously the need to define clearly the relations between the parties through the signing of a contract shipowner/shipping agent, through which the agent is committed to operating on the territory on behalf of the principal (shipowner) and to carry out all its activities in function of the ship, under the operational, commercial and financial aspect.

The collaboration on a continuing basis between shipowner and shipping agent gave rise to a profound transformation of the shipping agencies. The independence that initially characterized the shipping agent it has been adjusted to the new business trend, often coming to change their corporate nature through the creation of joint ventures and going from the exclusive representative of the specific shipowner to integral part of its structure. Increasingly frequent are the cases of shipping companies wholly acquired by shipping companies.

The shipowner, as well as enters in the equity of terminal structures, aims therefore to acquire shares in the shipping agencies, then coming to manage and to control almost all stages of the supply chain.

In order to better represent their client (the shipping company), and as a result of the new corporate structures, the liner shipping agencies have taken steps to adapt its structure to that of the shipowner.

Also the technological advancement has contributed to changing the relationship between the parties. The benefits are in continuous development and include all phases of the work of shipping agent: the temporal and physical distances are to dwindle in favor of increasingly speeding in the exchange of information. Hence the creation of new important business functions, such as the information technology, that is of basic reference for the activities of the agencies (Amelotti G., Carrara B., 2012:301).²³

The shipping companies, through the creation of special softwares, are able to control the activity of each agency in all the phases of the productive process. Each shipping company develops an own software, which then distributes to each his agency scattered

²³ Amelotti G., Carrara B. (2012), *Nuovo Manuale dei Traffici Marittimi*, op.cit.

all over the world, thus creating a unique channel of information, where the communication between the two parties is continuous and interactive. The consequence of all this is the creation of a network, where all the various agencies are related. At the center of this network there is the shipowner, who manages the information flow and presides the activities of the various venues.

In the case of one-firm agency there is an overall strong link with the shipping company, that often with his strategies can influence the policy of the agency.

In particular way, is possible to classify such influence on the basis of two parameters:

- *the geographical localization of the agency*; in this case the choice of the shipping company influences the activity of the agency independently or dependently from his geographical localization. Confirmation in this matter is the case of the general agent. He acquires from the shipowner the mandate to carry out the activities on its behalf in throughout the nation. But if the shipowner wants to add at its routing ports located in areas other than those in which the general agent operates normally, the latter is forced to appoint subagents. Analyzing the relationship between these three actors (shipowner, general agent and subagent), we can definitely notice that the subagent undergoes a double influence, both on the part of the shipping company that on part of the general agent;
- *the degree of influence of the choices of the shipping companies on the agency*, which can be high or low, and that in almost all cases is revealed to be very high;

Similarly, the shipping company may decide the pricing or freight policies and process only transportation (of goods or persons) that guarantees a certain remuneration. Also in this case, the agency will be affected regardless their geographical location. The influence on the choices and on the agency activities will be lower, because the agency will have to follow certain directives, but in any case it will take more independent decisions.

The case is different when the shipping companies choices to adopt a differentiation strategy, of product or of the target to be met, or of “make or buy”. The agency is not necessarily conditioned by the strategic choices of the company. Such conditioning depends on whether the agency is within the design implementation of the strategy, or if it is in a market that could lead to its explication.

For example, a shipping company that traditionally operates in container traffic decides to develop a new segment, and therefore to diversify its activities. It could be developed the cruise branch. The agency may suffer the effects of such choice if it is in one of the ports in which the shipowner intends to land his ships. Or if the shipping company intends to entrust the management of agency services of the cruise branch at the same agency that already operates in that port, but with container branch (decision of make). The agency, when it receives such assignment, will have to develop a new know-how, and then the influence of the shipping company on the agency will be high. The shipping company could make another kind of choice, it may therefore decide to entrust the management of agency services of his cruise ships to another agent, leaving the segment of container to the subject that already is dealing with it at that port (decision of buy).

The shipowner will have in the same port two agents: one dedicated to container traffic and the other engaged in cruises. In the latter case the influence of this choice on the agency is weak.

Instead, if the port is not included in one of the classic routes of cruise tourism, the agency will be excluded from the strategic design of shipowner.

The mono-firm shipping agency, despite everything, remains exclusive holder of key information, as well as it is fully responsible for the management and protection of its customers. The agent is not a passive subject, but he actively participates with its expertise to the production function. He can develop defensive strategies, for example he can operate with a view to NVOCC, holding in this way exclusive information about his customers. Or he can operate with the view to groupage, developing in this way logistics activities. On the other side the agent can implement offensive strategies, acting proactively against the shipping company, for example by promoting new routes or proposing new customers and new traffic.

Unlike the mono-firm agencies, the multifirm agencies hold certainly a greater degree of independence.

In the case of multifirm agency, the agent could put in competition two different shipowners, and then implement its own strategic plan, regardless of the choices of the shipping company. For example he could favor a shipowner that recognizes him a greater agency fee than another that recognizes him a lower commission.

Precisely for such reasons, in the recent years the trend of large liner shipping company was to enter in the equity of already existing agencies, forcing the same agencies to not acquire any other mandate. Moreover local agencies have had a change of image, acquiring the logo and the name of the shipping company.

The “network organization” can be a viable alternative to the stipulation of alliances and agreements or to the vertical organization. It is definitely a convenient choice for all those agencies that do not have the necessary capital to expand its sphere of competence on activities carried out by other operators. Through the “network organization” the shipping companies achieve goals of flexibility and of minimization of operational risks, as well as , of maintenance or , even, of accretion of market shares.

In the shipping agency organized as a network company the flexibility is a key competitive factor, in which the leader company plays a vital role in that which concerns (Sorrentini A., 2000:86): ²⁴

- the strategic analysis;
- the definition of the objectives;
- the action planning;
- the budgeting and the management control;
- the control of the results;
- the mechanism of reward and punishment.

²⁴ Sorrentini A., (2000), *L'evoluzione tecnico-organizzativa dell'intermediazione dei trasporti: il caso delle agenzie marittime*, Free Press.

The choice of a “network organization” sometimes becomes an obvious choice for the general agent, especially in Italy. As we have already mentioned before, the general agent receives from the shipowner a general mandate. He can carry out his activity on behalf of his shipowner throughout the nation. In Italy the biggest obstacle is represented by the Law 135/1977, that does not allow him to work in ports where he does not hold the necessary authorization of the local Chamber of Commerce. Then the general agent, when his shipowner will decide to touch with his ships other ports along the country, will have to make a number of agreements and alliances with local agents, which are expressed primarily in the contracts of sub-agency.

In the liner field in recent years there has been an evolution of the contract of sub-agency. The contract of sub-agency there is always, but together to that there is the creation of societies in which the general agent and the local agent (that who has acquired the mandate of sub-agency) participate to the equity in the same way.

The creation of such societies can have a significant impact on the structure of multifirm agents, which in recent years have managed in independent way more contracts of sub-agency. They have adapted its organizational structure not only according to the demands of the shipowner but especially in function of the demands of the general agent.

The shipping agency, like any other company, try to “attract” customers through the basic competitive strategies (Porter M.E. 1980: 231-236):²⁵

- strategies of cost leadership;
- differentiation strategies;
- strategies of focalization on a specific segment;²⁶

An agency could implement strategies of cost leadership, for example asking fees lower than other competitors. In this case the big liner shipping companies, with their structures able to create several economies of scale that affect then in favorable policies in freight rates, put their agent in a position to implement strategies of cost leadership.

Differentiation strategies could be implemented by offering to its customers new services, accessories or complementary to those already existing. Or the agency could diversify its business, by managing not only the activities related to the sub-sector of the tramp but also those related to passenger transport. The latter strategy is easily seen in the multifirm agencies.

²⁵ Porter M.E. (1980), *Competitive Strategy*, Free Press, New York.

²⁶ - Strategy of cost leadership: such strategy is based on the pursuit of a cost advantage and is expressed in the development of the lowest cost position in the industry;

- differentiation strategy: this strategy is founded on the achievement of a competitive advantage of differentiation, as well as on the creation of a unique value and therefore difficult to compare with the competition. The differentiation strategy allows to company to isolate itself from the price policies of other companies of the industry;

- strategy of focalization on a specific segment: this strategy is centered on a specific group of customers, on a little group of products, on a limited geographical area. Unlike the other strategies with large objectives, the strategy of focalization a specific segment proposes to realize a limited objective with major effectiveness and efficiency than the competitors. The company, then, serving a specific segment becomes different than other companies.

At the end, the shipping agency could focus and specialize in providing services for a particular number of customers or for a specific traffic, implementing in this way a strategy of focalization.

The agency is daily committed to evaluate and to take management and operating decisions, in order to improve the quality of the service offered and its profitability. This is done by relying on tools for planning and management control.

The shipping agent, about the recent trends, intends to become increasingly logistics operator, able to manage the relationship between the multiple operators (Port Authority, terminal, customers/shippers, transporter, warehouses), becoming many times a terminal operator or a transporter. In this way, managing in first person the terminal and transport activities, he can offer to its shipowners and customers favorable conditions in terms of rates, thus creating mechanisms of loyalty.

According to the analysis perspectives and sector operators the future of the shipping agent will be to become an active and crucial player of the entire logistics chain. Especially in the liner field this has to be the tendency of the agent.

2.1. From the integration of the liner shipping companies to the strategic choices of the shipping agencies: what reflections on the performances?

The phenomena of integration have allowed the liner shipping companies a consolidation of relationships with the subjects who inhabit its environment. In particular way, the choice of vertical integration in company organizations of the shipping agencies, has allowed the shipping company a greater control of the classes of cost directly related to liner field.

The expansion processes of the shipping companies have determined an increase of the complexity of the organization, in fact they must to manage the markets served and to control the cost structure and the quality of the transport service provided.

Then it becomes difficult the task of “information systems”, that the company has implemented both to know how over time the economic structure and the financial position is changed (deducible from budgets), both to acquire useful information to evaluate the contribution of each BSA to the overall objectives of the company, through a system of detection, measurement and control of the costs and of the performances (Di Vaio A., 2011: 97).²⁷

One of the main analysis techniques used to meet this need for information could be the ratio analysis.

The shipping company can elaborate some productivity standards for example, establish certain KPI (Key Performance Indicators) or establish a specific number of TEU for each FTE (Full-Time Equivalent). The shipping agencies working on behalf of the shipping company, independently from their geographical localization, will have to meet

²⁷ Di Vaio A. (2011), *Managerial accounting nelle aziende di navigazione marittima*, op.cit.

the productivity standards. The influence on the choices of the shipping agency will be very strong, so to force the to adapt its technical-organizational structure to achieve the objectives imposed from the shipowner.

The shipping agency on his hand, carrying out its activity on behalf of the shipping company, assumes all the main decisions and establishes a system of relations with different actors, and like all others companies operating in the maritime field needs for an ex post analysis of performances. In fact, only on this analysis is possible understand the quality of services rendered, the productivity, the main strenghts and weaknesses. Moreover, trough such analysis can be outlined the future guidelines. Both under the strategic aspect and both under the aspect of the relationships it has been frequently mentioned the strong link existing between the shipping agency and the shipping company. According to this relationship are attributable the key performance indicators of the shipping agency (Fadda L., 2000: 168-169).²⁸

1. actual freight rates/target freight rates;
2. contracts/demands of quotations;
3. contracts/bookings;
4. numbers of passengers boarded/target number of passengers;
5. numbers of TEUS loaded/target number of TEUS.

3. The strategic system of the multifirm agencies: the case “Marinter Shipping Agency Srl”²⁹

The agency “Marinter Shipping Agency Srl” was founded in December 1985 by the intuition of two friends. The two friends have accrued in the years before 1985 strong experiences in the shipowner field and in the brokerage. In the 1985 the agency had only three employees (the two founders and an employee), now is a solid reality in the Port of Naples with twenty persons on the payroll.

The “Marinter Shipping Agency Srl” is a multifirm shipping agency, so it does not work exclusively on behalf of a single shipowner, as it is the case of the one-firm agencies.

During the years the “Marinter Shipping Agency Srl” has implemented a differentiation strategy, differentiating its business in three business strategic areas (BSA): service of assistance for the ships, cargo/integrated logistics and container cargo.

Such strategy has allowed the agency not to focus on an single business, thus differentiating the risk.

²⁸ Fadda L.(2000), “*Cambiamento e valore nell’economia delle imprese di shipping*”, Giappichelli Editore, Torino.

²⁹ The realization of this paragraph reflects the working experience of the writer in the agency “Marinter Shipping Agency Srl”. Also it make use of a series of interviews with company managers.

- *Service of assistance for the ships*; this service is characterized by the completion of all necessary formalities on arrival of the ship in port, the stipulation in the name and on behalf of the customer of contracts for loading and discharge of goods, the demand for services for the supplies on board and the organization of the operations of loading/unloading and warehousing. The service of assistance for the ships includes a very wide range of services, which very often require the establishment of strong links with local authorities and providers of technical services (pilots, tugs, mooring, etc.);
- *Cargo/integrated logistics*; many times this activity has been recognized with the term of integrated logistics. The agency, when receives the transport request by the customer, looks on the market for a ship, through the help of a broker. The ship object of such research is usually a *bulk*. Always with the help of the broker is conducted the negotiation of freight and the consequent definition of contractual requirements. Responsible for the documentation relating to goods is the agency, which also is involved to transfer the documents to the custom operator for the necessary formalities. The agent manages and controls the operation of discharge, and through the nomination of the shipping agent in the port of origin is informed about the operations of loading. At the end he deals with the delivery of goods and the possible transport, if required by the customer. In this case we can say that the agency operates like an NVOCC;
- *Container cargo*. The management of container cargo is divided in three subprocesses: commercial activity, operating activity and documentation activity. The commercial activity is mainly characterized by the contact with the customer, then by the illustration of the liner service, by the offer of freight and the release of booking, when the client has accepted the price and the mode of transport. The operating activity is substantiated by the reservation of the space on the ship and in the cargo planning. An important part of this subprocess is represented by the transmission of the lists of loading and discharge to the terminal. The elaboration of the bill of lading and the issue of the delivery orders (for the import traffic) are the heart of the documentation. In this subprocess the software, which assists the agency in the issue of the bill of lading and of the delivery order, represents a great support tool. The transmission and the reception of the cargo takes place through such software, as well as the possible corrections.

In each BSA is possible to recognize the strategies implemented by the agency, and also see how these interface with the choices of shipowners.

Within the field of the service of assistance for the ships are found strategies of cost leadership. The agency seeks to put itself in a better position than its competitors at the time of the acquisition of a new mandate, when it presents to the shipowners a competitive *pro-forma desbursement account*, offering in this way a better price.

The influence of the shipowner in this BSA is high, as the agency suffers in full the choices of the shipping company, for example about the timing and the mode of call

of ships in port. In some moments are found offensive and defensive strategies of the agency than its shipowner, for example, proposing new traffic or trade routes.

If in the BSA of the service of assistance for the ships is verifiable an high influence of the shipowner respect the strategic choices of the agency, in the BSA of the container cargo this influence becomes even more high.

In fact, the agency suffers predominantly of the freight policies of the carrier. These policies sometimes can put the agency in a leadership of cost position than its competitors.

In the BSA of the cargo/integrated logistics are verifiable strategies of cost leadership. Often the agency has to compete with different operators, and the winner strategy usually results to be those to offer a better price for the same service. In this field are implemented also strategic choices aimed to the focalization, offering services increasingly closer to the needs of customer who has commissioned the transport.

In this BSA the agency suffers a small impact from the shipowner from whom is chartered the ship. In the ship chartering phase, that happens always with the help of a broker, if after a negotiation is not reached an agreement on freight, the agency will have to reach a shipowner, able to offer better conditions.

3.1 The system of partnerships in the strategic plan of the “Marinter Shipping Agency Srl”

The “Marinter Shipping Agency Srl” establishes with some players relationships characterized by different behavioral logics, not necessarily competitive.

This agency, in order to diversify its own business, has established during the years different agreements. Such agreements are reflected in most cases in the acquisition of the mandate of agency.

The mandate of agency can be acquired through two ways. First of all directly by the shipowner, in this case the agreement has done between shipping company and shipping agency. If the agency receives the mandate in sub-agency the agreement exist between general agent and the agency that operates in that specific port. Naturally, the general agent already has an agreement with the shipping company. With the stipulation of this agreement the general agent can represent the shipping company throughout the nation. So, in many cases we can say that the “Marinter Shipping Agency Srl” is putted in the position of subagent.

The sub-agency agreements have the great advantage of not causing any type of additional cost to both sides (general agent and subagent).The sides in the management of such type of agreement put in place the technical and human resources that already have in company.

In the “Marinter Shipping Agency Srl” are discernible both the acquisition modes. In the business reality of our reference the agreements between the shipowner and the shipping agency connote business relationships of *spot* type, that does not extend

over time. The agreements in subagency instead are of *long* type, are so protracted for several years and bases their bases on the relationship of trust and respect between the two agents. We could call this type of relationship with the term of cooperation, both the companies collaborate to achieve a common goal.

Also through the acquisition of more mandates in subagency the “Marinter Shipping Agency Srl” has had the chance to give birth to strategic alliances, in which the two players work together for the same goal, but without creating any independent legal entity. In this way the two agents create a shared system of information, that over time increases and improves thanks to the experience and the interactive and mutual exchange between the two entities.

The strategic alliances, with the consequent strengthening of the relations between the parties, frequently lead to create the basis for the establishment of independent legal entities. In this case we will not talk more of strategic alliances, but of joint ventures.

The “Marinter Shipping Agency Srl” during the years of activity has created joint ventures with different partners. The creation of new companies has allowed the “Marinter Shipping Agency Srl” to form their own group of companies, where it is now the holding company that participates with its shares in each business reality.

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Aleksandar Obućina, Serbia

Winner of a “Highly Commended” award



I was born in Serbia, Belgrade on the 4th of March, 1986. I spent 11 years living abroad and came back to my home town, finished secondary school here and enrolled in the faculty of Economics which I also completed.

I started working in Agent Plus in 2012 and have worked there to this day, in the chartering department, making my way from an assistant broker to a broker in my own right, although now, more than ever, it is clear to me how much more there is to experience in this line of work.

A challenging work position, the work I do in the chartering department offers the right blend of excitement, creativity and let's face it, stress, to make sure there is never a dull moment and making monotony a word that cannot be applied here. Working in the field of water transportation has offered endless opportunities for growth and the office and company I work in have definitely contributed greatly in my professional and personal growth.

Apart from work, I enjoy sports greatly, having a black belt in karate. I enjoy music a lot and can be found in the studio recording the occasional song, as we all need a break from the excitement of work sometimes! I am also lucky to live near the Danube, so many weekends I can be seen walking along the quay, enjoying the view and secretly hoping to catch a glimpse of a convoy or sp vessel I have chartered!

AGENT PLUS DOO
MARITIME RIVER AGENCY

Aleksandar Obućina

Fonasba young ship agent or ship broker award 2015

“DIFFERENCES IN WORKING ON THE UPPER AND LOWER DANUBE”

Belgrade

July, 2015

Introduction

As can be noticed throughout history, the south and north tend to differ quite a lot, all you have to do is look at the development of different countries and it becomes clear that the situation is not the same, with a general tendency for the north to be more economically developed. The same seems to apply to the Danube river as well and working as a broker in the chartering department has really highlighted these facts for me. As I found this interesting from my very first day at the job, I thought that the same would make an excellent topic for my essay. I also plan to touch upon working on the Rhine and Maine as well, as this constitutes the 'upper' part of Europe that is also essential when talking about the transportation of cargo via the river. It is only logical that since we do not have a uniform system set in place, but rather, the west and east have their own set of rules, that it is a challenge and great area of interest to explore these differences and dive right into the heart of the subject matter, exploring the plethora of crucial and subtle differences that make up the waterways of Europe, the idiosyncrasies of the lower and upper Danube. I talk of the river as though it was a person, but this is because this is not simple personification, there is a great deal of truth hidden behind this belief. With every change of the currents and water levels, we see that it is a living, breathing system, one that needs to be followed carefully in order to work with it and get the most out of its rich potential. By the end of the essay I hope to introduce the reader to the main differences of working on the upper and lower Danube, to help him better understand the business and ultimately, hopefully, pass on part of the mystery and excitement that this line of business has to offer.

History

It is often said that to understand something, we must first understand what has already passed and study its history. To better understand the differences between working on the upper and lower Danube, we should first delve into its past, its main geographical characteristics and what is meant by the upper and lower Danube.

As we all know, the Danube is arguably the most important river in Europe. Although it is not the longest, this spot is reserved for the Volga, it runs through 10 countries and has significantly influenced the economical growth and positioning of capital cities, in some cases. Danube, Donau, Dunaj, Duna, Dunav, Dunay and Dunărea are all different names for the same river that is an important feature of the countries it flows through. The Danube runs through the following countries: Germany, Austria, Slovakia, Hungary, Croatia, Serbia, Bulgaria, Romania and Moldova. Percentage wise, the figures are as follows: Romania (29.0% of basinarea), Hungary (11.6%), Serbia (10.2%), Austria (10.0%), Germany (7.0%), Bulgaria (5.9%), Slovakia (5.9%), Croatia (4.4%), Ukraine (3.8%), and Moldova (1.6%)¹. As anyone who has worked with

¹ "Countries of the Danube River Basin". International Commission for the protection of the Danube River. 2010.

shipments along this route will know, the above order is the correct order in which the river passes each one of them. From its beginning, rising in the Black Forest mountains of West Germany, flowing some 2850 km to its mouth on the Black Sea. Vienna, Bratislava, Budapest and Belgrade are all capital cities that are located along this important geographical and economical asset. The Danube was and remains an important trade artery still today, which is good news, as otherwise a lot of us would be out of a job!

With the Rhine and Maine, it connects east Romania, with its access to the Black Sea, with countries such as Holland, meaning cargo can be transported from one side of the continent to the other, offering a lot of possibilities to link up to sea vessels, practically opening up much further destinations in Asia, Africa and similar.

Even during the 7th century BC, the trading and economic potential of the Danube was being explored. Greek sailors performed brisk trade on the lower Danube and grew quite familiar with this section of the river. Of course, during this period, the Danube had more of a function as a means to set up boundaries and defend territories with castles and fortifications being set up along the coast, whilst ships more often than not performed patrols, rather than trade.

However, Maria Theresa, queen of Hungary and Bohemia realised the potential the Danube had and set about unlocking it by founding a department to oversee river navigation, with the first trip from Vienna to Budapest being performed in 1830. This trip was significant for one main reason, the Danube's importance shifted from serving as a line of defence to its navigational and trading potential being used as a channel of trade. Numerous international agreements had been made in the past, but the same culminated in 1856 with the Treaty of Paris which saw the Danubian Commission being established, a commission that would supervise the river as an international waterway. Even though the commission wielded a lot of power, adverse affects of World War II saw a temporary end to international navigation, until the Danube Convention of 1948. The difference here was that only the Danubian counties would participate in the reconstituted Danube Commission. To the present day, we can see that the Danube has maintained its importance as a vital trading route, being the favoured method of transportation for break bulk cargo, where it is more economical and logistically logical to transport large quantities of cargo via the river. Of course, liquid cargo, project cargo and others have found their advantages here too. What the future holds, we shall see, but there is a lot of talk of how the waterways, especially on the lower Danube can be improved, as the full potential has still not been taken advantage of unfortunately. Of course, vision and economic possibilities often find they are separated by a wide gap, but it is almost certain that the Danube will continue to be a major source of trade and should be on the receiving end of future investments. The potential to maintain and develop the Danube waterway, which is in direct correlation to the wealth of the countries it passes through, is one of the factors that contributes to the differences of working on the upper and lower Danube and shall be looked at in more detail later on in the essay.

Geography, hydrology and structure

Of course, the geographical features and characteristics of the Danube are of great importance, as this is one of the leading factors that has led to the differences that exist in working on the upper and lower Danube.

Most will agree that the Danube can be split into 3 distinct sections. The first section running from the river's source to the gorge called the Hungarian gates, which is located in the Austrian Alps and Western Carpathian Mountains. The second section runs from the Hungarian gates to the Iron Gate, which in turn is located in the Southern Romanian Carpathians. The third and final section runs from the Iron Gate to the estuary at the Black Sea. Looking at the above, it seems logical that the transitional point from the upper into the lower Danube is Hungary. Business practice has also shown that this is the case. When we talk about cargo, vessels looking for the same will often make a preference if they will take cargo from Hungarian and Serbian ports upstream or downstream, with each direction having its own characteristics and the decision depending on the needs and preferences of the owners. In any case, both geographically and in terms of business practice, Hungary seems to have established itself as the half way point, Hungary itself functioning under the rules of the lower Danube, but any point above it adhering to the distinct characteristics of the upper Danube.

With a river of this length, that has three different sections, it is logical that the hydrographical characteristics should differ. Taking a look at these differences will help us understand how working on the upper and lower Danube differs. However, to fully understand the same, some basic terms need to be addressed first.

For any vessel loading cargo, water levels are an important factor that always need to be taken into careful consideration. The master of any vessel or convoy needs to decide on what draft to load in order to make sure that safe navigation is achieved. This is done by taking into account the current water levels and future expectations. For example, the forecast could call for a lot of rain and we could expect a wave that will increase water levels along the waterway where the vessel will sail. Likewise, hydrological reports could show that water levels are expected to stagnate or fall, in which case the master will choose to load a smaller quantity of cargo, than the maximum capacity of his vessel, to avoid problems in navigation further down the line.

On the other hand, another factor that affects the amount of cargo that can be loaded and consequently transported via river vessels are the natural width and length restrictions set by the river itself.

On the upper Danube, the amount of water runoff, that is in direct correlation with the water levels, depends on the Alpine tributaries. It is logical that the water levels will be highest when

the melting of ice and snow in the Alps culminates, whilst the runoff will generally drop to its lowest point during the winter months.

In the middle basin, the phases last up to four months. Here we can see two runoff peaks, one in June and the other in April. Whilst the April peak is local in character, the July one stems from that of the upper course. Here it is important to remember that rainfall plays an important part and the high water levels are a result of a combination of the runoff arriving from the upper course and early spring rains of the lowlands and the low mountains that can be found in this area. On the other hand, we see periods of low water in October, which is an expected reflection of the dry spells of the hot summer and autumn months.

Finally, we have to take a look at the lower basin. It is somewhat logical that the Alpine traits all but disappear here from the river regime. What we are left with here is a water regime that has a maximum runoff occurring in April, whilst the low point will usually extend to September and October.

Before we explore what this means in practical terms for somebody operating on the upper and lower Danube, I feel it is important to take a look at the situation that is unfolding at the moment, in 2015, in the hot month of July. On the upper Danube, the flow of cargo has all but stopped, charterers being unwilling to risk paying extra costs and surcharges due to low waters, whilst most owners' fleets are being engaged in lighterage operations, where unexpected profit can be made from a bad navigational situation. On the lower Danube, water levels too have fallen, lower quantities of cargo are being loaded, to make sure that the convoys are on safe drafts making navigation safe, but despite this, there is always the over-riding urge to load as much as possible, right up to the predicted safety limit, after all, the game is all about the economical benefit to be gained, a constant benefit-risk analysis. As a result, the inevitable happens, even now we have a few convoys that are grounded on the critical parts of the Danube river, with shallows appearing at all the usual suspect zones (Dunavecea, Zimnicea and similar). The problem is that this can further slow down navigation for convoys that have adhered to the regulations and loaded on a draft that would be safe even if the water levels continued to diminish. They are slowed down due to the reason that there are convoys blocking the waterways as they struggle to break free, looking for assistance from other vessels passing by or hoping a wave will come, that will allow them to continue navigation without further costs being incurred from their side. Even for the convoys that can pass the critical sections of the Danube, pushers and self-propelled vessels are taking one or two barges at a time, until they can pass the shallows. Then there is the matter of the Borcea channel, something that I will discuss shortly and is one of the differences that exist between the upper and lower Danube.

Differences

The previous example illustrates two points, firstly how the weather changes on a global level are making sailing less predictable than usual and the second being that the above paragraph can

be used perfectly to illustrate the differences between working on the upper and lower Danube, on the freshest possible example that can be used at this point in time. The first, even though it represents a potentially interesting subject matter, is not the topic of this article, so I will only mention it in passing. The second, more relevant point, we will go into more detail.

Global Changes

With weather changes happening on a global level, I cannot help but imagine that the patterns that I previously mentioned, will begin to change. It will become far less predictable when we will see the peaks and lowest drops in water levels. Just now, rumours are abound that the next 'mini ice-age' will take place in 20 or 30 years, depending on which source you are reading from. The ramifications of this can be very interesting indeed, making the Danube even less predictable than usual. This is perhaps a point that will become relevant in the years to come. As mentioned, this subject could be discussed at another time and place of a more appropriate nature. However, I believe it cannot be denied that it is an interesting subject nonetheless.

LWS

The above shows that it does not matter if you are operating on the lower or upper Danube, you will invariably have to deal with changes in the water levels for sure. On the lower Danube, one of the first things you learn about is the LWS clause, which stands for low water surcharge. (It has been found that on the lower Danube, looking at the results obtained from the water meter station in Giurgiu that there are no shipping restrictions for 294 days a year, meaning that we have over 60 days with certain restrictions, of a varying degree). The same has been put in place to protect owners in case that water levels are such, that their costs are not covered by the freight they receive from the voyage, as the quantity of cargo they can load on a safe draft is far below the profitable level. Furthermore, this clause is clear from the start, the freight will increase for a certain amount, for a decrease in the draft of a certain amount. The more the draft is decreased, the higher the freight increase. At one point, when the agreed lowest point of the draft is reached, the two sides can negotiate if the transport will be performed at all. After all, there is no point in loading 3000 tons of cargo into a convoy that can take 6000 tons. If the same is agreed, the transport is cancelled, no harm, no foul. If the owners load on a certain draft that the master has deemed as being safe, the convoy will sail out towards the discharging port. Along the way, if there is any problem with navigation, it is the owners' responsibility to solve this matter. If they are grounded and no other solution can be found, the owners must transship part of the cargo onto another vessel, by finding a mobile crane, new vessel, control house that will follow the procedure and similar. On the upper Danube, there is an essential similar compensatory system in place, but with some differences.

On the upper Danube and Rhine and Maine, instead of a fixed surcharge that is paid for the owners loading on a certain level, there are certain water gauge stations that are used as points of reference and in accordance to which, the cargo owners pay compensation towards the owners.

For example, in Austria Wildungsmaur is most commonly used. We also have Pfelling and Kaub for Germany, as further examples. The difference here being that a set level of these water gauges is agreed upon. If the water levels should fall below the designated level, the owners are entitled to a surcharge in accordance with the agreed amount, no matter if the vessel had any actual added expenses. The vessel can pass the whole area without ever stopping once, but if the water level at a particular point fell below the contracted amount, the payment must be made towards the owners. As we have several gauges that can be used, usually only one is applied, the lowest one.

The above is an important difference that needs to be taken into consideration. Even though initially it may not seem logical to charge for a cost that could have, but did not take place, this is common practice here and new companies working on the upper reaches will have to accept the same. As is often the case, once you are used to one system, it can be hard to adapt to a change, especially since the argument can be made that we are still talking about the same river and same mode of transportation. This is why this topic is important.

Another difference that can be spotted is that whilst on the upper Danube most vessels will engage in lighterage operations, where-by part of the cargo from the vessel will be transshipped, allowing further passage of the initial vessel past the critical area, this is not often the case on the lower Danube. What can be noticed from common practice is that the upper Danube, due to the structure of the Danube, hydromorphic conditions and geography, sees a more regular appliance of the LWS clause, as the water levels tend to vary more often here. As such, lightering of vessels is common practice and all parties involved are highly skilled and well versed in performing the same. Here, another key difference can be found, on the upper Danube, along with the Rhine and Maine, we also have the high water clause, where compensation is given in cases of high water levels.

Something that is currently being done (which is often the case when dealing with the low water levels on the lower Danube) by some owners is that force majeure is being declared due to shallows appearing. This, in effect, exonerates the owners from any consequences that can arise from delayed arrival times, prolonged transit times and similar. This is something that will not be found on the upper Danube, in fact, quite the opposite seems to be true. Namely, in case ice appears, high water (as mentioned earlier) or official closures, the owners are here entitled to compensation, usually in some sort of correlation to the demurrage that has been agreed upon before-hand. An argument could be made that the other side cannot be held accountable for a closure occurring, that they had no influence on, but this is the practice and cannot be changed.

Here, we can see a pattern emerging. On the upper Danube, there are firmer rules set in place and all situations have clear-cut manner in which they are solved, with the charterers taking on a potentially higher risk. It is maybe of no surprise that the upper Danube is better regulated than the lower portion of the same river, as we always have to bear in mind the political and economical factors of the countries through which the river runs through. This, coupled with the fact that the vessels on the upper Danube are generally in much better technical condition, but

therefore more expensive, leading to higher payments that need to be made, gives an idea why the owners are well protected from the unforeseen. This leads us to another important difference that shall be discussed later on in the essay.

Borcea channel

Earlier there was mention of the Borcea channel. This is another important difference. This channel is particular to the lower Danube. Essentially, there are two routes a convoy can take to reach Cernavoda and head to Constanta. There is the direct way, that is usually employed, where the convoy keeps its course and follows the Danube towards Cernavoda, but when the water levels drop below the critical point, the convoy must take a detour, a longer route of some 110 km to reach its final destination in Constanta, via the Borcea channel. As this extends the distance that the owners need to pass to reach the port of discharging, meaning higher costs, primarily in terms of fuel, it is logical that a surcharge is also applied here, agreed upon before the transportation is concluded. Unfavourable distribution of flows between the main branch of the Danube and the Bala-Borcea branches results in the need to use this alternative. The distribution here is usually quite uneven, 20% going to the main branch and 80% to the Bala-Borcea branch. As can be seen from an earlier example in 2003 when we had a very dry season, the flow on the main branch saw a drop of up to 13%. This creates the need for the Borcea clause to be used, as the same needs to be used from time to time. On the upper river, there is no such point, only the application of the different gauge stations positioned along the Danube.

Port agency services and ice

I remember when I first started working as a broker. Another young colleague, who had joined the port agency department, showed me a picture of the port of Pancevo, where all the vessels were frozen in place. He was amazed at this photo as much as I was, it seemed almost surreal. The Danube had been described many years ago in the Times newspaper as being: "annually swept by ice that will lift a large ship out of the water or cut her in two as if she were a carrot."² and unbelievably, this seemed to be the case still today, despite the article in question being over a century old. Our older colleagues, simply nodded at each other knowingly in mild amusement, they knew that what we were looking at was only the tip of the ice berg. I remember asking what they had done during this time, it must have, after all, been an uneventful period with no transportation taking place. However, it soon became clear to me that these periods are maybe the most hectic, as you are busy putting out fires all over the place. My colleague from the port agency department especially had a head ache, trying to help the crew members who had at one point been, effectively, trapped on the convoys. As mentioned earlier, the Danube truly is a living, breathing thing and it loves to throw the occasional curve ball, but that is also why we do this job. This

² "The Danube," *The Times*, February 13, 1883, page 12

example, this simple picture of a frozen port, however, hides a few more differences between the upper and lower Danube.

The first point is that the upper Danube can never freeze completely, like the Serbian port had on that memorable occasion. Of course, they can have problems with ice as well, but upstream from Linz we have a situation where the Danube can never freeze entirely. The reason for this is the turbulent current. As seen above, the middle and lower courses can become icebound during severe winters. Ice drift tends to combine with spring thaw during severe winters, between the months of December and March, which in turn causes floating ice blocks to accumulate at the river islands, jamming the river's course.

The second point refers to port agency services. Although it is compulsory on the lower Danube and every owner will have their agent at the relevant port of loading, border crossing and port of discharging, on the upper Danube the same is not needed and it is the master that takes care of all the needs regarding the vessel, paper work and similar. In fact, I was lucky to be involved in this branch of work when several Dutch, German and other owners started moving some vessels from the upper Danube onto the lower Danube. Initially, they were confused that they needed an agent, but in time it turned out that the idea of having somebody at the port that they could call on to assist them was actually rather beneficial! What can be noticed here, again, is that although having an agent means that some information can be obtained quicker, problems can be solved sooner, documents will be sent without delays, there is also no lack of efficiency when dealing on the upper Danube where agency services are not provided. We can see a point that was made earlier creeping up again here as well. The upper Danube seems to be more regulated, more efficient, with clear-cut laws, common practices and accepted methods of doing things, with a tradition that is as effective as it is old. The need for an agent on the lower Danube might actually highlight the need to have someone who knows the area well to deal with any problems that can arise, as problems are expected on the lower Danube more often than not. Again, this can be closely linked to the countries that the river runs through, the equipment available at the ports, the financial support given to the development of river transportation, the legislation that has been set in place and if the laws themselves are upheld and are in keeping with the common practice that exist on the Danube.

Laws and legislation

Working in this field of work, you encounter new situations on an almost regular basis. As I firmly believe that the best way to illustrate a difference is to use real live examples, I will refer to an incident that happened some time back. A vessel I had booked had some problems with its bow thruster and had to stop for repairs. I noticed that the owners were reluctant to do the same, but in the end they had no choice. It turned out that their reluctance was due to the fact that the master did not speak German and for the portion of the river he was sailing on, this was obligatory. This was handled in due order, I assume that the owners either paid a fine or found a replacement for the master, but it was taken care of by them. Here we could see clear rules, every

aspect had been thought of, all safety measures taken into account. The captain needed to know the language, in case of any warnings being broadcast, so that he could react in due time to the same. This system is efficient, as it means that even though, as covered earlier, there are potentially higher hidden costs due to water levels and similar, sailing is quick and efficient and not many problems can be expected on the upper Danube. When they do arise, there is, more often than not, a solution set in place, one based on logic and past experience.

On the other hand, we can take a look at a problem, that for me, is closer to home. Working on the lower Danube, you learn which ports have slow discharging times, which ports are questionable and which ones should be avoided if possible. One port in particular in Serbia was known for problems it had with cargo being stolen from loaded barges, something that I cannot imagine happening on the upper Danube. In these cases a police report is made, but not much else. The river police are powerless, as they do not have any means by which to protect the barges or chase the culprits. In fact, it is not even completely clear under whose jurisdiction this is, with the ports not taking any responsibility and it seems it is ultimately up to the owners to do what they can to protect the barges. A lack of funding, more pressing matters that need to be taken care of and similar are the main problem here. That fundamental difference has appeared once again. Economically less advanced countries, even if they had the proper laws and structures in place, do not have the monetary resources to uphold the same. Ports need modernization, equipment needs to be changed, certain areas need to be better regulated. All of this would mean that there would not be certain ports that are infamous for thievery and cargo going missing, or loading and discharging rates that are below par. This would bring the working standard on the lower Danube closer to the one we have on the upper one.

Capacities, locks and convoy composition

With all of the above said, it should be stated that the lower Danube certainly has its advantages as well. The main restriction on the upper Danube is the width and geographical make-up of the river, especially once we enter the channels, Rhine and Main. The same has restricted owners to using only self-propelled vessels on their own or with one barge. This in turn restricts the amount of cargo that can be transported in one lot. There are a total of 19 locks on the Danube. 15 are located just between Regensburg and Vienna, whilst one is between Bratislava and Budapest. After that we have two bigger locks at the Iron Gates. They are placed between Budapest and Bucharest. The final lock is at Cernavoda. This fact alone goes a long way in explaining why the convoy composition varies so much between the upper and lower Danube. Most of the river is regulated, whilst on the lower sections we have a lot of free flow. On the lower Danube we see convoys with 6 and 8 barges, which in turn means a lot more cargo can be transported in one single voyage. This truly is a key difference.

There is another further implication here. Due to the high number of locks, there is usually a period during the first half of the year, when the locks are closed for maintenance work. This is a factor that needs to be taken into consideration as there can be no sailing during this period and

once the locks are opened, we can expect big delays, as all vessels will be looking to resume sailing, so queues are to be expected. No such event can be expected on the lower Danube, at least not on a regular basis, so if the water levels hold up, we can expect uninterrupted navigation during the whole year. To the keen observer, another minor difference can be seen here, one that supports a larger one we have discussed. The locks are closed, to make sure they can run efficiently during the rest of the year. We can clearly see money being invested into this area. For the lower Danube, the same is not true, funds are sorely lacking and maintenance of the waterways is low on the list of priorities.

Conventions

When we look at the agreements governing river transportation on the Danube river, there is also a big difference here. Namely, the Bratislava Agreement is mainly used when talking about the lower Danube. For the upper Danube, the CMNI convention is mainly used, although for destinations even further north, the application of IVTB is common practice as well. The general problem with the Bratislava Agreement is that it was put together by the owners and as such, heavily favours them. As with any business where we have two sides, it is important that we have a balance and this is not currently the case. Other agreements are more balanced and therefore could be considered superior in this respect. These agreements are important as they are used in cases where a certain clause or dispute is not covered by the current contract under which a certain transportation is being executed under. Therefore, it is safe to say that this is another important difference that should be taken into consideration.

However, the above point is an interesting one, as here we see a step being taken in a positive direction and maybe the start to some standardization, at least in areas that such a step is applicable in. In recent times, we see that the CMNI agreement is being used more and more on the lower Danube. This, in my opinion, is an encouraging change. Apart from the agreement itself being better balanced and not heavily favouring any side in particular, it means that similar principals shall be used on the whole Danube. In my opinion, this is important as it will encourage owners who have previously and exclusively worked on only one part of the Danube to maybe consider operating on its whole length. As with the most basic principles of economics, it would mean that when there is more cargo available on the lower Danube, we will have a greater concentration of vessels on this part of the Danube and vice versa, when there is less cargo available on the lower Danube, but more on the upper one, fleets will shift their attention northwards. In either case, I believe it can only be mutually beneficial to make the whole of the Danube as accessible as possible to all vessels and owners. I have seen myself some the confusion that can be caused when new owners arrive on the lower Danube, so the smaller the differences between these two sectors are, the easier it will be to facilitate the smooth transition for the owners from one section to another.

Quay, port and channel dues

Since we are on the topic of differences that owners find hard to adapt to, another important point is what costs are paid for by what side. When talking about river transportation, the following terms are often used: quay dues, port dues, agency dues, harbor dues and similar and this can cause confusion as to who is responsible for the said costs. The problem is that most of these terms are viewed as synonyms or could have one meaning for a port in Germany and another meaning in a port in Bulgaria for example. This ties in to my previous point that a certain level of standardization would go a long way to help avoid further misunderstandings and problems. I have seen owners refuse to pay standard port fees, as they believe them to be quay dues, a term that more or less does not even exist on the lower Danube, or is less frequently used.

One cost, however, that is specific to the upper Danube and represents another important difference are channel dues. This is a cost that needs to be paid by owners transporting cargo on the northern routes and the tariff depends on the type of cargo being transported. During negotiations, this cost must be taken into account as the cost is far from negligible. On the lower Danube, this cost simply does not exist. A general conclusion that can be drawn is that although the upper Danube is more precise in terms of laws and regulations, there is a greater number of costs that need to be taken into consideration and balanced carefully.

Tonnage

A difference that I touched upon briefly is the quality of the vessels used and the composition of the convoys. As mentioned, with the evident differences in economic wealth between the countries that the Danube runs through, it probably comes as no surprise that we see very high quality vessels on the upper Danube, whilst on the lower Danube, there are pushers and barges that are three times older than I am, sometimes more. There is less money to invest in keeping the units fit and in tip-top condition, the crew is only temporary in nature, there is less precision when it comes to sailing times. In fact, there are a number of smaller, but important differences, that need to be taken into account when discussing the tonnage that is available on the lower and upper Danube. After all, what could be more important than to look at the transportation units themselves that perform the logistics and form the backbone of the business.

If we take a look at many modern Dutch self-propelled vessels a number of things can be noticed. The vessel is generally in very good condition, the paint is still fresh, the loading compartment is well kept and clean and usually you can spot a car or two on the deck. Here is one important aspect, the Dutch crew are not temporarily aboard the vessel, they are its permanent residents, they live there, they work there, they have built their lives around it. It therefore comes as no surprise that the vessels are kept in mint condition, as huge amounts of money have been invested into them, regular payments must be paid to the banks, so they rely on an efficient and regular system, where the vessel is kept busy on a regular basis. The ports are quick and efficient, cargo is loaded and discharged quickly, whilst the owners keep the vessel

itself in excellent technical condition, to make sure there is never a problem with the loading compartment, hatch covers and similar. This is a system that is vital on the upper Danube and functions in a part of Europe where there are serious laws that regulate the business and serious funds to back up the logistics industry. An LOG (Letter of Guarantee) is virtually unheard of here, where even vessels with azobe (wooden) floors are loaded with the most sensitive of cargoes, as the charterers know that the same is safe. Seals are often not even placed, as there is no question of whether or not the cargo shall be delivered safely to its final destination, in the same quantity, in the same quality. The lower Danube, is a slightly different story altogether.

On the lower Danube, we mainly have convoys consisting of pushers and barges or self-propelled vessels and barges. These vessels do not have luxurious living compartments, but rather basic accommodation for the crew members, as they are here to perform their job. It may seem irrelevant, but the psychological factor is there. Furthermore, the crews change firms and convoys often, so they are less committed to maintaining a high level. Finally, wages, on some cases, tend to be irregular. This can lead to extreme cases where the crew themselves steal part of the cargo from the convoy, as a means of compensation. This is hard to prove, meaning it is hard to regulate. All these differences have to be considered when talking about working on the Danube.

It is often the case that control houses shall ask for letters of guarantee to be issued for the loading compartments, hatches or both for tonnage on the lower Danube. This is because the same are not maintained properly and loading will not be allowed until the same are provided by the owners. In these cases, foam, tarpaulin and other materials are used to temporarily mend the problem, but the problem remains until such a time that proper funds can be set aside to mend the same. Damaged cargo can be a problem on the lower Danube and is more common than on the upper Danube. Through experience, one can ascertain which vessels are problematic and which ones are reliable. Furthermore, on the lower Danube sealing reports are done, as seals are placed on hatches as a safety precaution, to show if the cargo has been tampered with. The fact that this is rarely done in western Europe only further highlights the differences that, unfortunately, exist when it comes to law and safety regulations.

Draft vs Scale

Possibly the biggest difference that can be found in this area is the draft and scale readings. Namely, we know that the cargo quantity is determined via the port scale reading and the draft scale reading, where the F6 method is most commonly applied. The problem is that since the barges and vessels on the lower Danube are relatively less maintained, the draft tables are often inaccurate and the difference in draft and scale quantity can be substantial, causing further problems down the line. It is easy to see why, the charterers pay for the quantity as per the scale and the owners take responsibility as per the draft readings. Again, on the upper Danube, these cases are much rarer and we generally have much smoother sailing, in every sense of the word. Apart from the difference in the quantity, transit times also vary much more on the lower reaches of the river. Predicted laycans are often spot-on or off by maybe a day or two when working with

higher quality vessels, whilst the situation is by far less predictable on the lower Danube, with expected arrival times changing daily in accordance with changing circumstances.

GMP+ certificate

One more interesting difference is the GMP+ certificate. As you know, the same is now compulsory for most transports of feed on the upper Danube. It provides an additional qualitative guarantee for anybody dealing with the international feed industry. These standards ensure that the vessels and their cargo holds are suitable for the transportation of the subject cargo. It is easy to see that not many owners have these certificates on the lower Danube, which leads to an interesting point. Could the introduction of the GMP+ certificate force owners to invest more into their fleets or would it ultimately drain their limited resources and reduce the number of available vessel dramatically? It is hard to say from this view point if this would be a viable solution, but there is need for streamlining and for standards to be brought to a certain level. I firmly believe that this is the future for the Danube.

Third flag

A final difference that could be of interest is the third flag. Where we have countries that belong to the European Union, this is not a problem, but it must be taken into account that countries such as Moldova and Serbia are still not in the European Union, whilst some vessels are registered and carry Moldavian and Serbian flags. It is clear, geographically speaking, that this problem is mainly present on the lower Danube. Namely, a vessel cannot load cargo in Constanta (Romania-EU) and discharge in Serbia (non-EU) with an Ukrainian flag (non-EU), unless it gets explicit consent and permission from the ministry of transportation of Romania. From our experience, this permission has never been granted. The same is meant to protect local owners, but is a complication that, if overlooked, can have adverse effects, with vessels arriving at the port of loading, only to be rejected due to their flag. This is another commonly overlooked difference that exists. With the few remaining countries entering the EU, this problem would effectively cease to exist.

Conclusion

If we look at cold hard figures and facts, statistical analysis of water depths, geographical features and hydrometeorological components or if we call upon our experiences from working on the Danube, we can see that a myriad of differences truly does exist. Even whilst selecting the subject matter of my paper, I knew that this was a topic that deserved to be closely looked at, as it is one of the many aspects of this business that makes it so dynamic and interesting. As the name of the award itself states, I am relatively new to this world and if one thing has become clear to me, it is that I have only scratched the surface of what it means to be a broker and what can be learned in this field of work. I have tried to show most of the differences I have noticed, but I am

sure there are still many more hidden, that will come to me in time. Still, I believe that this essay is a good starting point for anybody interested in this subject.

As we have seen, it would be hard to pick one main difference, but one thing seems to pop up in most of the aspects we have explored and those are the countries that constitute the upper and lower Danube and their histories and economical wealth. Where the north has invested heavily in its vessels, equipment and ports, the south is falling behind, with poor loading rates, frequent break downs of the discharging equipment and transport capacities that are not always of the best quality. A case in point, whilst for every loading port on the lower Danube you can discuss a different loading rate, in Germany it is clear, German Law 94 or 99 is used. The rules are clearly defined, all parties know what it means and it leaves less grey areas, whilst increasing the efficiency with which negotiations are done. Everything seems to be geared to making things run as smoothly as possible. Where the west is highly regulated, structured, usually adhering to a set out schedule that produces efficiency and cost effectiveness, the east can be unpredictable and at times unreliable, lacking proper laws and legislation. On the other hand, it cannot be denied that large quantities of cargo are moved on the lower Danube. The Danube offers natural advantages here, where convoys can carry 10.000 tons of cargo from one port to the next.

A conclusion that I have drawn, in many ways a possible solution to some of the problems I perceive here, is that some level of standardisation needs to be carried out. The best elements of both systems need to be taken and combined. I am not worried that the differences will disappear completely, this is highly unlikely, but efficiency can be increased with some changes. It seems that the period of the big shipping companies is slowly passing, which is only being proved by the high quality self-propelled vessels slowly lowering their sights onto the lower Danube. More needs to be invested into the vessels, those that are not fit for work anymore should be found alternative uses. The slow use of the CMNI convention on all parts of the Danube is, in my opinion, a step in the right direction. Terminology needs to be streamlined and homogenised, to avoid mix-ups over what costs need to be covered by which side. Funds need to be set aside for ports, transshipping equipment and similar. This will in turn generate more funds and these investments will prove to be economically sound.

The Danube is ever changing, unpredictable, as she is mysterious, but this is part of her appeal. Differences will always exist, as sure as the Danube will continue to flow and tease us with her secrets, but that is why we do the job. Like the tide, we rise to the challenge, we strive to learn all we can and to uncover what lies at the core of these differences and possibly, just possibly, find ways to overcome the ones that need to be overcome, to further improve business and help us all move forward. It is, after all, our duty as brokers, agents and members of an international organisation dedicated to this cause.

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I finished school in 2000 with A levels near Hamburg.

After one year of service with the German Army I started my apprenticeship at the UCA United Canal Agency at Brunsbuettel in 2001.

Ever since I finished the apprenticeship in 2004 I work at the Kiel Canal as an employee of the UCA in various positions, presently at the Operations Department responsible.

Beside my main work I am dedicated in the education of young shipping trainees, being part of the examination desk of the Chamber of Industry and Commerce at Kiel.

FONASBA
Review Committee
Young Ship Agent or Shipbroker Award

Working as a ship agent **at the Kiel Canal**

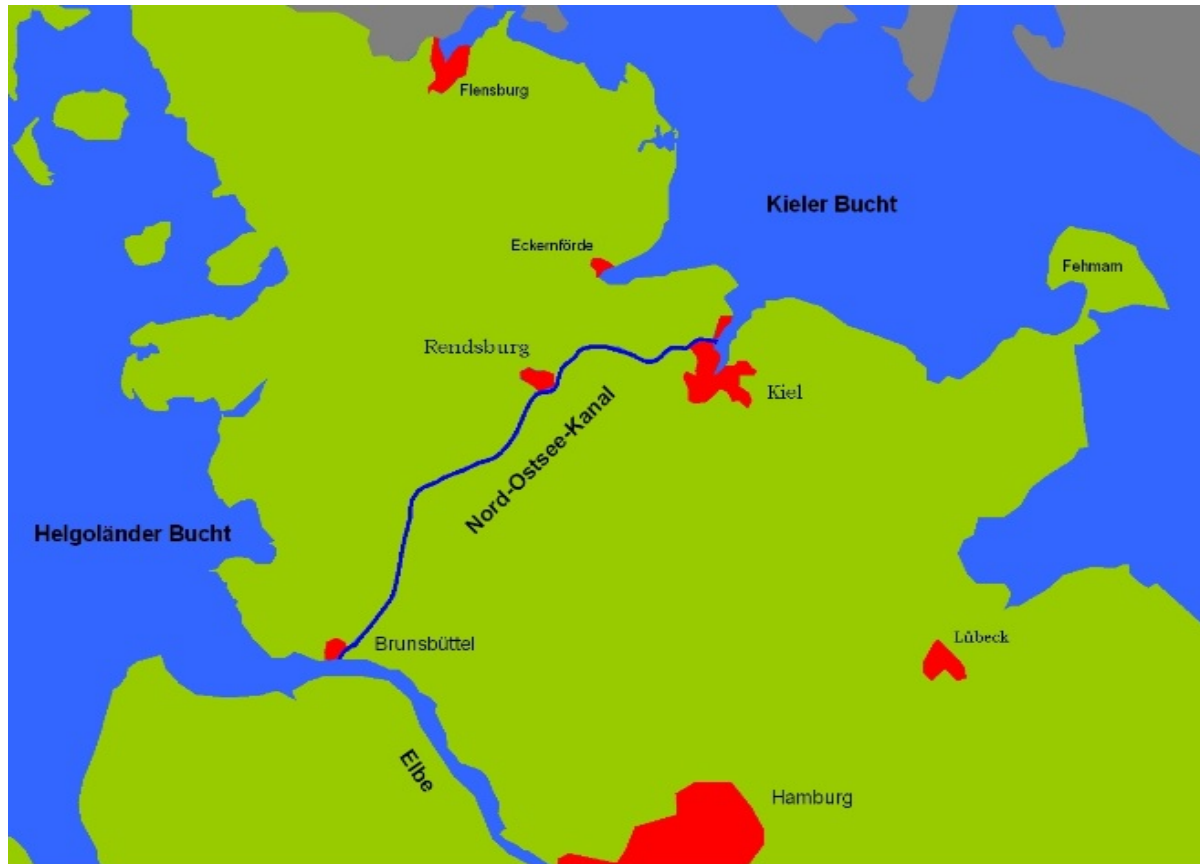
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Introduction of the Kiel Canal



1

The Kiel Canal starts at the mouth of River Elbe and ends at the Kiel Fjord. It connects the North Sea and the Baltic Sea, a passage via Skaw is not necessary for vessels meeting the Kiel Canal maximum dimensions resulting in savings of fuel and time.

The building of the approximately 100 km long Kiel Canal started in 1887 and was completed eight years later in 1895.

One main reason to build the Canal was the fact, that the Navy needed a safe and fast possibility to transfer between North and Baltic Sea.

It soon became obvious that the Kiel Canal was built too narrow and that the locks at each end of the Kiel Canal were too small to meet the demands of the increasing ship sizes, especially of these of the warships.

From 1907 until 1914 the western part of the Kiel Canal between Brunsbüttel and Rendsburg was broadened and a pair of new locks were installed at each end of the Canal.

Besides some smaller improvements the Canal remained unchanged in its dimensions ever since and today vessels meeting the following dimensions may transit the Canal:²

Length over all	: 235,00 metres
Maximum Beam	: 32,50 metres
Allowed height over waterline	: 40,0 metres
Maximum speed allowed	: 15 km/h or 8,1 knots, limited to 12 km/h or 6,5 knots, if draught is more than 8,5 metres or if vessel is classified as "Group 6" vessel
Maximum draught	: 9,50 metres for vessels up to 160 meters in length.

¹ https://www.portalnok.de/Projekte/ausbau_nok/index.html

² [http://www.kiel-canal.de/bilder/pdf_files/General Info about Kiel-Canal transits.pdf](http://www.kiel-canal.de/bilder/pdf_files/General%20Info%20about%20Kiel-Canal%20transits.pdf)

Less draught is allowed for larger vessels, according to the following chart:

Schiffslänge	Schiffsbreite in m														
in m	20	21	22	23	24	25	26	27	28	29	30	31	32	32,5	
160	95	95	95	95	95	95	95	95	94	93	92	91	89	89	
163	95	95	95	95	95	95	95	94	93	92	91	90	89	89	
166	95	95	95	95	95	95	95	94	93	91	90	89	88	87	
169	95	95	95	95	95	95	94	93	92	90	89	88	87	86	
172	95	95	95	95	95	94	93	92	91	90	88	87	86	85	
175	95	95	95	95	95	94	93	91	90	89	88	86	85	84	
178	95	95	95	95	94	93	92	90	89	88	87	85	84	83	
181	95	95	95	94	93	92	91	90	88	87	86	85	83	83	
184	95	95	95	93	92	91	90	89	87	86	85	84	83	82	
187	95	95	94	93	91	90	89	88	86	85	84	83	82	81	
190	95	94	93	92	91	89	88	87	86	84	83	82	81	80	
193	95	93	92	91	90	89	87	86	85	84	83	81	80	79	
196	94	93	91	90	89	88	86	85	84	83	82	80	79	78	
199	93	91	90	89	88	87	85	84	83	82	81	79	78	78	
202	92	91	90	89	87	86	85	84	82	81	80	79	77	77	
205	91	90	89	88	86	85	84	83	82	80	79	78	77	76	
208	90	89	88	87	85	84	83	82	81	80	78	77	76	75	
211	90	89	87	86	85	84	83	81	80	79	77	76	75	74	
214	89	88	86	85	84	83	82	80	79	78	76	75	74	74	
217	88	87	85	84	83	82	80	79	78	77	75	74	74	73	
220	87	86	84	83	82	81	80	78	77	76	75	74	73	73	
223	86	85	84	83	81	80	79	77	76	75	74	73	72	72	
226	85	84	83	82	80	79	78	77	75	74	74	73	72	71	
229	84	83	82	81	79	78	77	76	74	74	73	72	71	71	
232	84	83	81	80	79	77	76	75	74	73	72	72	71	70	
235	83	81	80	79	78	76	75	74	73	73	72	71	70	70	

3

Today a transit is possible 24/7 in every direction (no convoy-system) and takes between seven to twelve hours including locking. The standard transit-time is depending on the traffic situation inside the Canal as well as the size of the transiting vessel.

³ <https://www.elwis.de/Schifffahrtsrecht/Seeschifffahrtsrecht/SeeSchStrO/Siebenter-Abschnitt/42/index.html>

Traffic groups:

For the purpose of traffic control the Kiel Canal authorities do classify transiting vessels into six traffic groups, taking into consideration the general dimensions, the actual draughts and the cargo on board. The complete classification can be found here:

Verkehrsgruppe		Fahrzeuge / Schubverbände			Schleppverbände		
		Länge bis	Breite bis	Tiefgang bis	Länge bis	Breite bis	Tiefgang bis
1		45 m	9,5 m	3,1 m	65 m	10 m	3,1 m
		55 m	8,5 m	3,1 m			
2		65 m	13 m	3,7 m	85 m	13,5 m	3,7 m
		85 m	11 m	3,7 m			
3		120 m	19 m	6,1 m	135 m	19 m	6,1 m
		140 m	17 m	6,1 m			
4		130 m	23,5 m	9,5 m	155 m	23,5 m	6,1 m
		160 m	20,5 m	9,5 m			
5		200 m	28 m	lt.Tb.*	185 m	27 m	9,5 m
		210 m	27 m	lt.Tb.*			
6		235 m	32,5 m	lt.Tb.*	genehmigte außergewöhnliche Schleppverbände		
		-/-	-/-	-/-			

4

In general this classification means, that the higher the traffic group, the longer the transit takes. The Kiel Canal is divided into sections. Each section has a number assigned which indicates the added up numbers of traffic groups, which are allowed to encounter themselves in that section. For example, if a section is assigned with a number 7, it means that two vessels are only allowed to pass each other, if their added traffic groups do not exceed 7. If the added traffic groups are higher than the allowed section number, one vessel has to wait in one of the twelve sidings until the encountering vessel has passed.

In 2014, 32.589 vessels with a total G(ross) T(onnage) of 155,5 million carried 99 million metric tonnes of cargo through the Kiel Canal, making it one of the most frequently called artificial waterway of the world. ⁵

⁴ <http://www.wsa-kiel.wsv.de/Schifffahrt/Verkehrsmanagement/Verkehrsgruppen/index.html>

⁵ http://www.kiel-canal.org/pages_english/kanal-info/verkehr/verkehr-rechts.htm

Introduction of the ports and terminals at Brunsbuettel

Benefiting from the Kiel Canal on the one hand and the River Elbe on the other, the economy at Brunsbuettel boomed and various industries settled down.



Today the Port of Brunsbuettel consists of the following sub ports:

6

The Elbehafen

The Elbehafen is located right at the banks of the Elbe, outside the Kiel Canal.

This is an universal port, handling all kind of goods, mainly bulk cargoes like coal, gravel, ore, crude oil and gas with a total quay-length of 1.095 metres.

Along the break bulk cargoes are offshore wind equipment, project cargoes, alloy bars etc.

Maximum dimensions for vessels calling the Elbehafen are:

Length	: 350,00 metres
Beam	: 55,00 metres
Draught	: 14,40 metres dry cargo berth
	13,80 metres tanker berth

The Oelhafen

The Oelhafen is located inside Kiel Canal, only 3 km after passing the locks of Brunsbuettel.

This harbour belongs to Klesch Group owned Heide Refinery and consists of five jetties, each able to reach a maximum pump rate of 1000 cbm/hrs.

As the name already tells, this harbour is exclusively used for the handling of liquid oil products. Among these are gasoline, diesel and various aromatic compounds.

⁶ <http://www.brunsbuettel-ports.de/brunsbuettel.html>

The Oelhafen is suitable for vessels with the following maximum dimensions:

Length : 235,00 metres
Beam : 27,00 metres
Draught : 9,00 metres

Harbour Ostermoor

The harbour of Ostermoor is also located inside Kiel Canal, approx. 6 km after Brunsbuettel locks.

There are six berths located there, five of them used for shipping and one waiting berth.

This port is used by the local chemical industry to receive raw materials and to ship their commodities. The most common products handled there are crude oil, urea, various acids, naphtha and ammonia.

The following limits apply for vessels calling this port:

Length : 235,00 metres
Beam : 32,50 metres
Draught : 9,50 metres

Total Bitumen berths

There are three berths owned by Total Deutschland GmbH located at the south bank of the Kiel Canal, just opposite the Oelhafen, called the Total Bitumen berths.

These jetties are commonly used to supply bunkers for vessels transiting the Kiel Canal and one jetty is able to handle bitumen. The Brunsbuettel based Total work is the largest bitumen refinery in Germany.

Because all jetties are located directly at the Kiel Canal, the maximum dimensions for the Kiel Canal passage also apply for the Total berths, i.e.

Length : 235,00 metres
Beam : 32,50 metres
Draught : 9,50 metres

⁷

Suedkai

Located at the south bank of the Kiel Canal, a few hundred meters behind the locks of Brunsbuettel is the Suedkai. Vessels may not exceed 3500 GT and the draught is limited to a maximum of 6,5 metres, therefore nowadays it is only accessible by smaller coasters or barges and its main commercial use is for shipments of grain and fertilizers.

A more important role of this berth is that it accommodates the tugs assisting the ships to enter the locks or the ports and lately it serves as a base for the support vessels of the construction site of the new lock chamber.

Holcim and Mercuria berths

The last two berths on the southern banks of the Kiel Canal are the Holcim berth and the Mercuria berth. The Holcim berth is used to ship cement from the near Holcim works to all over Europe. Vessels up to 20.000 metric tonnes T(ons) D(ead) W(eight) are able to berth at the Holcim installation, as long as they are within the regulations of the Kiel Canal.⁸

⁷ <http://www.total.de/ueber-total/profil-in-deutschland/bitumenwerk-brunsbuettel.html>

⁸ <http://www.holcim.de/de/produkte-services/logistik-export.html>

The same restrictions apply to the nearby Mercuria Biofuels berth.

The Mercuria Biofuels plant at Brunsbuettel produces biodiesel out of used cooking oil and the berth at the Kiel Canal is used for both im-/and exports of these products.

⁹

Sasol berth

Located on the northern bank of the Kiel Canal, this berth serves the local Sasol works as an import hub of fatty acids, palmitic acids and other raw materials from Asia.

It is not frequently used and therefore the allowed size of the ships is limited to

Length : 140 metres

Beam : 23 metres

Maximum Draught : 6 meters

¹⁰

Kiel Canal transit traffic

Once the decision to make use of the Kiel Canal is made by the operator of a vessel, the passage has to be planned.

According to the [Internal Waters \(Entering Requirements\) Ordinance](#) ¹¹ the following things have to be done and the following parties have to be informed and to be kept updated:

- The approach to Kiel Canal has to be planned
Depending on various things -like the size and type of a vessel, its current cargo on board and of course the last port of call- the approach to Kiel Canal has to be planned. This is part of the daily routine on board, but failing to comply with the reporting procedures may result in a serious fine.
- Governmental authorities have to be informed
The German Point of Contact and the German Immigrations need to be informed about the arrival of the vessel, the current voyage, the last visited ports, the cargo on board and the crew on board. Dangerous cargo has to be reported separately to the German ZMGS (Zentrales Meldesystem für Gefahrgut und Schiffsverkehre). Large vessels assigned the traffic group 6 according to the Kiel Canal regulations and slow moving units like tows have to report their ETA to the Kiel Canal authorities in advance as well, because their transits need some more attention and restrictions may apply, like wind restrictions etc.
All smaller vessels do not need to report their E(stimated) T(ime) of A(rrival), since the Kiel Canal works on the “First come, First serve” basis.
- Pilots and helmsmen have to be advised and to be kept informed about vessels arrival. Only the smallest vessels (up to L(enght) O(over) A(ll) of 45 metres and a maximum beam of 9,5 metres) are allowed to transit the Kiel Canal without the assistance of a pilot. Vessels with a LOA of 90 metres and more and a maximum beam of 13 metres do have to employ a pilot on the River Elbe or the Kiel Fjord, while approaching the Kiel Canal.

⁹ <http://www.mercuria.com/assets/biofuel-refining>

¹⁰ <http://www.sasolgermany.de/142.html>

¹¹ http://www.bsh.de/de/Schifffahrt/Sportschifffahrt/Berichtigungsservice_NfS/Schifffahrtsvorschriften/2011/Beilage01-2011.pdf

Larger vessels (LOA: >100 metres and beam: >15,5 metres or a draught of more than 6,1 metres) have to make use of additional and specially trained helmsmen for the Kiel Canal passage. Pilots and helmsmen have to be informed well in advance prior vessels arrival and have to be kept informed to avoid any delays for the transit.

It is of course possible that all reporting and pre arrival requirements can be done by the crew and/or operator without the use of an agent by the means of electronic communication.

Upon arrival of the first Kiel Canal lock (either at Brunsbuettel or at Kiel) the captain has to show up at the official Kiel Canal registration office. He needs to show the International Tonnage Certificate and his cargo documents and a registration will be done.

Based on the vessel's GT the fees for the Kiel Canal transit and the pilot and helmsmen dues and fees are calculated and have to be paid direct at the registration office.

If the vessel is flying the German Flag and if the operating company is located at Germany it is possible that the Germany based office is charged with the arising costs by invoice, making a cash payment unnecessary. Once the registration and the payment has been completed the vessel is allowed to commence the transit.

The role of the agent for vessels transiting the Kiel Canal

As described above all vessel are allowed to arrange their transit on their own, without appointing an agent.

Making use of an agent has huge advantages. Among these are mandatory things like:

- Ensuring that the vessel may transit without any unnecessary delays. Once we as agents are appointed and aware of the arrival of the vessel, we take care that the relevant pilots, tugs and helmsmen are informed about the arrival of the vessel. This makes sure that all necessary services are available upon vessels arrival.
- We check the requirements for the approach to Kiel Canal (see [Internal Waters \(Entering Requirements\) Ordinance](#)), i.e. where the first pilot has to board, which TSS (Traffic Separation Scheme) has to be used to proceed through the German Bight or the Baltic Sea or if the cargo on board has to be reported in advance to the German Authorities. This is to ensure that all requirements are met prior the arrival of the vessel, so that no fines or delays arise.

Apart from this, a lot of services are offered from our side for our clients:

- A full financial service is available for our customers. We pay all the dues and fees in relation with the transit as well as we offer to pay cash to the master in case ordered by our client. This means that it is not necessary to pay for the Kiel Canal transit upon arrival of the first lock or to e.g. pay the ship chandler (if ordered) in cash.
- Along with the service to pay for the transit, we do all the transit related paperwork.
- We take care of the requirements the crew might have. Among these are visits to the hospital or local doctors, renewals of certificates like the ship sanitation certificate, collecting/delivery of mail, buying of phone cards etc.

The below picture shows the copy of a message received from the Chinese bulker “Da Cai Yun”. At this stage we were already nominated by the vessel’s operator to act as the agent for the Kiel Canal transit. This message is intended to be an example of the requirements vessels have when they approach the Kiel Canal. Needless to say that we answered all the master’s questions and even arranged the requested sim cards.

Date : Tuesday, 23 June 2015 10:28:28
From : Master, M/V Da Cai Yun (master.dacaiyun@163.com)
To : 014V 12 KIEL AGENT A - 014V 12 KIEL AGENT B - 014V 12 KIEL C / CC
度 - 方海峰 经理 德国汉堡 - 蔡万群 - 黄冬海 - 李建中 - 黄冬平
Subject : RE:ETA EBLE PLT 0630LT 24TH/JUNE & SIM CARD + SOPEP INFO ETC

TO:KIEL AGENT
CC:PARTIES CONCERNED
FM: MASTER OF M.V DA CAI YUN
DD:2015.06.23
RE:ETA EBLE PLT 0630LT 24TH/JUNE & SIM CARD + SOPEP INFO ETC

DEAR AGENT,
GD DAY!
U ARE KINDLY ADVISED TT M/V DA CAI YUN CALLSIGN:VRKK6,
LOA/166.5m, B/27.4m, H/47.4M, ARRL MAX DRAFT:9.00M ABT (F.W),
DEP MAX DRAFT:9.05M ABT (F.W), (MAYBE BUNKER), NOW SAILING
IN DOVER STR., AGAINST TIDE.
AS PRESENT SITUATION, ETA EBLE PLT/STN 0630LT 24TH/JUNE
2015. (TIME ZONE:+2) IAGW, W/P.
EXACT ETA WL RVTG 12H B4 ARRL PLT/STN N CNFM 6H
B4 ARRL.

HEREBY, PLS DO ME A FAVOR ASF:
1. PLS ARNG TWO SIM CARD FOR CAPT. (ONE FOR TEL, ANOTHER FOR RADIO
ACCESS INTERNET), WZ SEVERAL RECHARGE CARD;
2. I CHECK THE LATEST SOPEP INFO--
"MSC-MEPC.6/Circ.12
31 MAR 2015, ANNEX 2
LIST OF NATIONAL OPERATIONAL CONTACT POINTS RESPONSIBLE FOR THE
RECEIPT, TRANSMISSION AND PROCESSING OF URGENT REPORTS ON INCIDENTS
INVOLVING HARMFUL SUBSTANCES, INCLUDING OIL FROM SHIPS TO COASTAL
STATES", WHICH RENEWED AT 31/MAR.2015, BUT DO NOT FIND ANY INFO ABOUT
YR GD PORT BRUNSBUTTEL. SO, HEREBY ASK U TO PROVIDE LOCAL MARPOL DEPARTM
INFO, INCL THE OFFICE ADDRESS, TEL /FAX /TELEX NO., E-MAIL, ETC. U KNOW,
IT IS VERY IMPORTANT IN PSC INSPECTION AND EMERGENCY SITUATION CONCERN
OIL PREVENTING POLLUTION.

IF HAVE ANY INFO IMPORTANT FOR SAFETY CALLING AT YR GD PORT
N TRANSIT CANAL, SUCH AS SECURITY /NAV WARINING/TIDE PARTICULARS,
ETC, PLS ADVISE IN ADVANCE;

PLS CNFM BY RTN N ARNG ACDLY.

THKS & B.RGDS !

CAPT.YANG
NNNN

- As part of our transit-optimization program for our clients vessels in transit, we keep on the one hand track about the several rebates that might apply for transits (like transit in Ballast condition or a rebate for frequent passing vessels) ensuring all possible financial savings are granted. On the other hand we keep our clients informed about the daily traffic situation inside Kiel Canal and about possible closings of the locks. These informations are often useful for the vessels or their operators as they help calculating the total transit-time needed. Sometimes long waiting-times in front of the Kiel Canal locks in conjunction with time pressure for the vessels results in a decision to cancel the passage and to sail via Skaw instead. Although that means the “loss” of one passage for us, we are glad to help clients making this decision as we understand this behaviour as part of our business. This behaviour and the advantages

of our optimization program resulted in a strong connection to our clients leading to the development and installation of e.g. special reporting software for possible delays and transit times.

- Our optimization program does not only aim to save time and thus money, but it also aims to reduce the expenses arising directly. Whenever possible we make suggestions of how money can be saved.

For example: A vessel reports an arrival draught of 7,1 meters. According to the Kiel Canal regulations two helmsmen have to be employed for the transit. If the vessel is able to reduce to arrival draught to 7,0 meters, only one helmsman is compulsory resulting in a saving of approx. 400,- EUR. Another way to reduce the passage expenses is to apply for pilot exemptions for captains who frequently pass the Canal. We help the captains with the paperwork to apply for an exemption and support them with every step necessary to obtain it.

- Due to the fact that a transit through Kiel Canal takes at least 6 hours, a whole range of services (technicians, company inspectors, surveys etc.) is possible to be arranged during that time. We, as agents, help to arrange these services, making sure that all involved parties are aware of the vessels ETA and we report the visitors to the relevant ISPS authorities, so that access to the vessel is granted.
- As mentioned above in the introduction, there are several bunker terminals available inside Kiel Canal. If vessels are scheduled to lift their bunkers at Kiel Canal, we coordinate the bunker operation, trying to make it as smooth as possible. Afterwards we collect and forward a fuel sample to laboratory in charge of the vessel.
- We arrange crew changes during the passage. The transit time from lock to lock enables the crew to make a handover during the passage if they sign on at one and sign off at the other lock. This is often used by the crewing companies, making the Kiel Canal a popular place to change crews. Along with the transport and accommodation services we offer for the changing crews, we are able to offer the so called “visa upon arrival/departure”. Non Schengen or non EU passport holders must have a visa to join Germany. This can be obtained via the German Embassy in the country the on-signer lives (Russia, Philippines etc.), but that usually takes a few weeks. Based on our good relationship to the German Immigrations we are able to arrange the visa to be issued upon arrival at the first German airport. Our guarantee that we take care of the arriving crew is accepted by the immigrations and the airlines carrying the seaman. Off-signing crew receive an exit visa once they leave the vessel and we also guarantee that we take care of the repatriation of the crew. This procedure is only possible, as already mentioned, because of the fact that we have a trustful relation to the German Immigration. This is definitively not possible for any non-local company.
- We support our clients in the planning and the transits of towing units. These passages need to be planned very carefully as usually the different involved authorities issue several restrictions for a passage. This may start with the requested bollard pull of the attending tugs on River Elbe, the necessity of an assisting steering tug for the Kiel Canal passage, the attendance of an extra runner-crew on the pontoon or dead ship and it ends with a tight time frame in which the towage has to pass the Kiel Canal. In case

of unfavourable weather conditions we can arrange a lay-by berth for the towage to shelter until the weather improves and so forth.

- During the summer seasons a lot of cruise ships are transiting the Kiel Canal. Sometimes we are asked to assist with the organisation of shore excursions. In that case we arrange that the passengers may leave the cruise ship at the entrance lock, spend the day at a major German city like Hamburg and get back on board at the outward lock.
- In case of controls made by the local water police, we as agents do often negotiate between the police officers and the vessel's command. In case of alleged violations against maritime laws or regulations the local police fines the responsible master or officer. We offer to pay the bail in advance and we will stay in contact with the relevant authority in charge until the case is settled. Although all are equal before the law it sometimes helps that a local agent knows how to talk to whom, resulting in some minor violations not to be fined, but only a verbal warning is issued.
- From time to time accidents of different severity happen to vessels transiting the Kiel Canal. This may range from a slight contact with the Canal bank (which happens quite often) to the capsizing of a vessel. In general every ship or operator calls for the assistance of an agent if it comes to an accident inside the Kiel Canal. This is reasonable, because the agent knows the emergency plans. The agency knows whom to call, what can be arranged and what not and, perhaps the most important fact, the agents are on site. It is very hard for operators to make decisions if they do not have an exact overview of the scene. The local agents help to get an overview and perhaps similar experiences were made before, helping to handle the actual accident more efficiently. Nearly every accident results in the request from the German Port State Authority that the involved vessels are not allowed to continue their voyages until the reason for the accident is found and all damages have been observed. As the locks are needed for the ongoing traffic, it is not allowed to let the vessels stay in the locks for the investigations. We as local agents arrange a suitable berth nearby, we arrange the shifting to that berth and we take care that everybody who needs to get on board (police, class surveyors, company representatives, technicians etc.) is able to do so. Some berths are ISPS restricted so that visitors have to be reported to the relevant port facility security while other berths have no shore connection and we have to arrange the transfer of visitors and perhaps spare parts by boat. In case repairs are necessary, we have contacts to local workshops specialized in the repair of ships and their components. If it becomes necessary there are a several dry-docks near the Kiel Canal, suitable for nearly all types and sizes of ships. Even in case the cargo or a part of it has to be discharged, we are often successful to arrange the discharging in the local Kiel Canal ports. There the cargo can be stored for a while until a decision has been made of how to go on with it.

Here is an example of an accident, happened to a vessel in the end of June. While mooring at the bunker-station, one mooring rope came into the vessel's propeller and broke. Two member of the crew were injured and the line had to be removed from the propeller. This happened at a late Sunday evening. We arranged transportation for the crew to the local hospital. Fortunately they suffered only minor injuries and were both able to get back on board. Furthermore we had to arrange a diver to remove the rope from the screw and to check for any damages. Again we could rely on our huge network of maritime service companies and we were able to arrange a diver still on Sunday night. Finally, with the crew back on board, the screw working and even the bunkers replenished as planned, the vessel continued her voyage on Monday morning.

Kiel Canal N.O.K. / 28.06.2015

LETTER OF PROTEST

SUBJECT: Accident during mooring operations.

Dear Sirs,

Please be informed that during mooring operation in Kiel Canal ("TOTAL" terminal No 3 for bunkering) accident occurred.

Mooring men on boat lost two of three stern lines to the water because they started movement of boat without proper securing lines to the bollards. Line came to the propeller.

After contact with blades line started to wind up with high speed. Crew attempted to avoid dangerous area.

After line rapidly gained tension it stroked and hit 4th Engineer to the left part of head and AB to the arm. 4th Engineer felt down and lost consciousness for a few seconds.

Crew assisted to the 4th Engineer.

Line restricted the movement of CPP blades. Vessel all time works ahead. Chief Officer stopped ME by emergency means upon Master's order.

4th Engineer and AB sent to hospital at 28.06.2015 19:57 LT.

Inspection of propeller required. Divers ordered via agency.

Calling the Ports of Brunsbuettel

Nearly all port calls are handled with the help of an agency, simply because there are so many things that are related to a port call, that it makes sense to appoint an agent to keep track of all the requirements.

- It starts with our help to check if the performing vessel of a planned port call is able to reach its designated berth. The local conditions such as the maximum allowed draught varies from time to time. Unfavourable tidal or weather conditions lead to the change of the restrictions in force. We check these changes of the restrictions and sometimes, if the performing vessel is just within the allowed limits, it becomes necessary to obtain a permission for the port call. We take care of that, making sure that no nasty surprises occur once the vessel arrives at the port.
- Due to the different locations inside and outside the Kiel Canal and the different regulations in force for the berths at Brunsbuettel, the costs for a port call vary from terminal to terminal and need to be calculated carefully in advance. We know the regulations and we have the experiences of former port calls, so we are able to advise the arising costs very accurate in advance. Tugs for example are not compulsory for mooring or unmooring at all terminals, but we know that pilots and captains request tugs for vessels of a certain size.
- Once the vessel is underway to Brunsbuettel we supply the vessel with the necessary pre-arrival information. These information cover the approach to the Canal, as well as the special information for the terminal the vessel is bound for. All terminal operators have different regulations for their berths, therefore they ask for different pre-arrival documents and different electronic registrations have to be done before and after the call. Furthermore we keep the designated terminal updated about the position of the vessel, checking if the berth is available upon arrival or if the vessel has to stay at an anchorage, awaiting berth readiness. We get in contact to the local cargo surveyor and furnish them with the information they ask for. In case necessary we arrange to customs formalities for the cargo, too. Finally we keep the local pilots, tugs and linesmen informed about the vessels arrival and berthing schedule. All this ensures that there are no delays and no extra costs in connection with the call.
- As soon as the vessel is alongside at one of the terminals, we will visit the vessel and do all the paperwork that is necessary. Customs and border police visit the vessel, asking for crew-lists, issuing shore leave passes for non EU or Schengen residents, bonded stores lists etc.. As part of our pre-arrival information, we advise the vessel of these procedures in advance, so the crew is prepared and the requested papers are usually ready on board, keeping this act simple.
- Our duties during the port-call depend on our client and his role. We usually act as agent for the charterer as well as for the owner simultaneously. Therefore, on the one hand, we take care that the loading and/or discharging process runs smooth, we endorse or issue the Bills of Lading, we keep track of the times and the prepare the Statement of Facts. On the other hand we take care about the requests from the owners. We arrange bunkers to be supplied, crew-changes, delivery of stores and spares, cash to master payments, technicians in case necessary and so on. Our main

focus is on not delaying the vessel or the cargo operation and to work as cost-efficient and reliable as possible. During the whole port call we are always on stand-by and always reachable for the vessel and or clients.

- After all operations at the terminal are finished, all documents are done and the vessel is ready to sail, we arrange the outward clearance by informing all concerned parties, like customs, border police, tugs, pilots etc.. We finalize our documentation and relay the documents to the relevant consignees. The next step is, that we collect and pay the invoices related to the port call. Once all invoices are at our hands, we send them to our clients in one bunch. The advantage for our clients is, that they only need to pay us, the agent, and not all other involved parties. Additionally, if something is unclear about an invoice or believed to be wrong, we take care and get in contact with the invoice issuing supplier. Furthermore we offer to pay the expenses in advance for our clients. Of course we sometimes ask for some amount of advance payment from our clients, depending on several factors, like the length of our business relationship, the total estimated port costs and so forth.

The description of our work in connection with a port call to any of the terminals at Brunsbuettel shows again how important the role of the agent is.

Of course it is possible for owners to take care of a port call all by themselves, but it would mean a lot of work and most probably more costs for them as they are unfamiliar with the local regulations and habits. Not appointing an agent would result in the owner to be responsible, starting with rather important things like the suitability of a vessel for a specific terminal or the berth availability and the rather small things like ordering pilots and linesmen in time to not delay the vessel.

On the other side the charterer, mostly the local industry, is more used to the local circumstances, but in the majority of the cases, has a lack of shipping and nautical background.

The agent brings both parties together, communicates and negotiates with them and aims to handle the port call to both of their satisfaction.

Summary

I hope that I was able to show the importance of the agent for both of the described roles, the Kiel Canal agent, as well as the Brunsbuettel port agent. The agent takes care of the crucial parts, making the transit or the port call successful for all involved parties. In some cases, like accidents, the agent is vital due to his on scene presence and his deep knowledge of the local structures. In addition the agent offers a lot of services making the work of vessel owners, charterers or crews more comfortable and easier, resulting in the savings of time and money.

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Frédéric Van Mechelen, Belgium



I was born on 19th of June 1986 in Wilrijk, a small village in the southern part of Antwerp, Belgium. After completing high school, I felt the need to follow my passion (introduced by my grandparents) and started studying history at the University of Antwerp in 2005. After completing this study, I had a hard time to find a job in this sector so I went for a new direction in shipping and logistics first at Katoen Natie for two years and now at MSC Belgium since 2013 at Global Key Accounts department. Currently I live in a town near Antwerp with my partner with a lot of future plans. The saying goes that shipping really grabs a hold of you and never lets you go, a saying I fully back up.

...

A job in the balance? The role of the shipping agent/broker and forwarder in future perspective: a perception study

Frédéric Van Mechelen

MSC Belgium

Introduction

ANTWERP, 9th of December 2014. It's an exciting day for MSC Belgium and Antwerp's press as after a short trip from UK port Felixstowe, the MSC New York, nicknamed 'the giant' by a local paper, arrives for the first time at the Port of Antwerp (PoA).¹ The MSC New York, built that same year, is the biggest vessel ever to arrive at MSC-PSA Home terminal in Antwerp to date, and has a capacity of 16864 TEU.² After a two day stay at the terminal, loading and unloading about 3500 containers, the 399m long and 54m wide vessel continues its journey to the Far East calling other major ports along its way.

MSC Belgium N.V., is a maritime shipping agency founded and established in Antwerp, Belgium, in 1999 as direct agent of the Mediterranean Shipping Company S.A. (MSC) with its headquarters in Geneva, Switzerland. Although MSC Belgium is a shipping agency, one can also make a distinction between a shipping agent and a shipbroker which will be discussed in chapter 2. There are four basic parties involved in the logistic flow: the shipping line (or carrier) who provides ships and containers, a local agent or broker as a representative of these shipping lines, a freight forwarder who organizes transport and a shipper who has products to ship. MSC is a global shipping line carrying containers from port A to port B on a container vessel with a certain capacity depending on the size and sea trade it ships on. The basic task of an agent working for a carrier is to fill the vessel with cargo provided by shippers and

¹ <http://www.demorgen.be/economie/deze-mastodont-is-in-antwerpse-haven-gearriveerd-a2146405/>, consulted 13/05/2015.

² TEU: twenty foot equivalent unit, container ships typically are compared in terms of carrying capacity as the 20-foot container is the smallest in common use. Vessels are measured in TEU's and trailer-equivalent units or 20-foot-equivalent units. For example a 1000 TEU vessel can carry accommodate 1000 TEU containers or 500 40-foot containers – see pictures and measurements in appendix 1.

freight forwarders, who act as transport architects for shippers who do not want to get involved in the logistic process, and focus on their core business: to produce and to sell goods. In 2014, the MSC New York was the biggest MSC vessel to roam the seven seas. Recently even bigger vessels have been inaugurated in 2015 at the DSME shipyard in Busan. The latest vessel, MSC Oscar (named after the son of current CEO Mr. Diego Aponte) can carry over 19200 TEU. Although many believe vessels carrying over 19k or 20k TEU are beginning to reach their possible limits, vessel architects are still improving designs of the vessels to carry more and more containers.³

In the early days the founder of MSC, Mr. Gianluigi Aponte, started with a small fleet of ships and set up a link between Italy and East Africa, and ever increasing its fleet and destinations during past years. Figure 1 shows the routes MSC could offer in 1998 linking all continents on a limited number of services. You will notice a vessel follows a fixed route, called a 'line' or 'trade', calling only a number of ports along the line and returning by this route or 'loop', just like a fixed bus schedule. Along these routes local agents are established, who are tasked to fill the vessels with local cargo or to give instructions to unload cargo sold by a shipper from another continent. In doing so, carriers help to make the world a lot smaller and connected to each other, a fact we call 'globalization'.



Figure 1. MSC routes in 1998

³ TIEDEMANN, J. Alphaliner presentation: 'Orderbook', ASV, Antwerp 15//05/2015.

Today MSC offers a variety of destinations, as shown by figure 2, giving a good indication of the current situation. Notice the complex string of lanes coming and going from Northern Europe, called North West Continent – NWC, where Antwerp is centrally located. Increasing the routes means more and bigger vessels bringing cargo to even the most remote places, and (perhaps more important) contributes to employment in the world. MSC employs around 24000 people globally, meaning they are one of the biggest employers in the world (in terms of logistic providers).



Figure 2. MSC routes in 2015

As mentioned above, the main providers of cargo to carriers are its local agents, shippers and forwarders. A carrier's job is a fairly straightforward one: our client fills one of our containers, brings it to a port and MSC carries it from this local port to the far side of the world. If a shipper or forwarder has goods ready to be shipped, he or she will place a booking at MSC and MSC will provide a container. Historically this was done mostly manually by phone, fax or telex (a system which preceded the computer and internet). Today this is done almost automatically by complicated computer systems and platforms set up between all parties in order to simplify and speed up the process, but more importantly: to reduce labor costs to a minimum and avoid redundancy.

The latter is the main subject of this paper. I want to investigate if there is still a future for local agencies and freight forwarders, seen through the eyes of the business itself, in an ever increasing age of digitalization and automatisisation. In an age of computers and internet every logistic flow will go a lot faster, cheaper and will be more transparent, creating a sort of ‘glass house effect’.⁴ Is the classic set up between agent, forwarder and shipper still possible in 20-30 years? Can the agent or forwarder survive in the age of internet? This paper will have clear limits in time and geography. Firstly time wise I will give an overview from the beginnings of containerization since the second half of the 20th century and future tendencies. Secondly, I will focus on the Antwerp area and the impact it will have on our local shipping industry.

For sources I am relying heavily on opinions and perception from local people involved in logistics, with whom MSC has a direct contact: shippers and forwarders who provide insights on their current business and how they see the future. International shippers like BASF, Ravago, Monsanto, and Cabot provide valuable insights of a shipper’s mindset and how the industry sees the future. Also international forwarders like Kuehne and Nagel, BDP, Elite Paloumé and some local Antwerp forwarders like L’idéal explain how they arm themselves against the ever more evolving role of the forwarder. The debate will also be moved to local Antwerp authorities who have the job to bind all parties and provide regulations and general overviews. Also perhaps more important I will highlight the legal positions of all parties and the maritime laws which were incorporated to provide a legal foundation, on which maritime trades have based itself upon. We will see that forwarders, agencies and shippers all have a very interesting and different opinion of the future and how they try to arm themselves against digitalization.

Another important aspect of this paper will be the data flow. As there is an increased need of IT behind logistic flows, data is a major factor behind commerce and upcoming electronic commerce in logistics (‘E-commerce’) and automated links between companies and local authorities. How did our main actors respond to this increased need? How will it affect business in the future? Who is the owner of the data stream? How does this affect the relation between carriers, shippers and forwarders? How will companies evolve IT wise and does this mean the end of agencies and forwarders as we know them? Last but certainly not least I will give an historical overview of the rise of container and what impact it had and still has on world trade.

⁴ CAUDRON, J., and VAN PETEGHEM, P., *Digital Transformation*, Lannoo, 2014, p. 36.

1. The Rise of the Container: a reinvented ancient concept?

When in 1956 Malcolm Mclean introduced the first standardized container, he could not have imagined the impact it would have on world trade. Mclean, owner of a small trucking company in North Carolina, understood the limitations of loading cargo onto vessels very well, a process which until that date was mostly done manually and without any standardization of equipment.⁵ Before the 1950's the majority of cargo loaded into vessels were conventional goods, split up between break bulk such as steel plates, barrels, bails, boxes or bulk goods such as grain, coal, sand or oil. Loading and unloading could even take as long as sailing time and was a labor intensive process. Due to the uncertainties of steamship schedules, outbound cargo was delivered weeks in advance of sailing date increasing costs and chance of damage, theft and loss. Mclean figured out a way to speed up this process as he acknowledged the needs of “inter-modal-ism”, by eliminating the intermediate handling of the cargo, safe and sound inside the containers, it became possible to easily juggle between all possible combinations of rail, road, canal, and maritime transport modes, hence “inter-modal-ism”. Yet it took years to convince the shipping industry. The use of containers after 1960 came into acceleration as the US army already used some sort of steel boxes during World War II called ‘transporters’ and continued to use it up to the end of the conflict in Vietnam in 1973.⁶ By that date the world recognized the value of the container and started to work on standards to be used by all carriers.

The impulse for standardization was given by an organization called ISO, International Organization for Standardization, during the course of 1960's and 1970's. These standards are still used by MSC today.⁷ The main value of the container lies not in what it is, but more importantly in how it is used. The container is the drive to stimulate a highly automated system for moving goods from anywhere to anywhere within a standardized box, of course within the reaches of a vessel in case of transport by sea. One was now able to ship goods in relative safety with a minimum of costs and complication. During the course of the 1960's cargo was

⁵ JUDAHY, B. ‘The containership revolution’, in: TR NEWS nr. 246, 2006, pg 5.

⁶ VERSMISSEN, T., *Oorlog en logistiek*, Gent, De Uil, 2012, pg. 168.

⁷ For more info on ISO and its history, see www.iso.org

loaded into containers (called non-conventional goods) as it gave a lot of advantages and was a lot quicker and safer to transport although conventional goods are still loaded on vessels today.



Figure 3. [the amphora](#)

Containers loaded onto vessels offered other great advantages to shippers. As the freight was sealed in the container when loaded onto the vessels and was only reopened at the buyer's location, the box could be traced and its voyage screened on paper (as a prerequisite of a modern version by internet thanks to IT solutions called 'tracking and tracing' – see more in chapter three: it's all about data). The idea however of using some sort of a container to seal off and protect cargo from the elements is actually not new. In ancient times, a revolutionary design let to increased trade in Mediterranean: the amphora in figure 3. The amphora was much like today a

standardized packaging type made of ceramics or even metal to ship all kinds of goods like wine, grain and olive oil. These containers '*avant la lettre*' shaped the Mediterranean and provided the hungry city of Rome with much needed grain from the fertile plains of northern Africa and Sicily and brought wine to the most uncivilized (according to Romans) places on earth.⁸ Today the modern containers can be re-used after a voyage has been completed and filled with new cargo, the amphora was usually destroyed due to the brittle material it was made of, and due to the low costs to make more.⁹ The modern container had a major impact on the world economy in bringing parts of the world together, enhancing globalization and development of major ports in which Antwerp is no exception. According to Mark Scheerlinck, Outside Sales Manager at MSC, 'the shipping lines did not re-invent the wheel, they just changed the form and shape', a statement in my opinion which is correct. The PoA historically saw its rise during the sixteen hundreds acting as staple

⁸ FOX, R.L., *The Classical world, an epic history from Homer to Hadrian*, Penguin Books, London, 2005, pg. 438-439.

⁹ LANNEE, D. *Een Economische geschiedenis van de Middellandse Zee*, Standaard Uitgeverij, 2013, Gent, pg. 97.

market and transit port for goods, such as grain and wool being shipped from northern to southern Europe and silk coming in from the south.¹⁰ The idea of a modern port by today standards was introduced by Napoleon Bonaparte who visited Antwerp in 1803 and started a rigorous building program to transform Antwerp into a major port for goods, and a base for his warships.¹¹ Figure 4 shows Antwerp during the final stages of the enlargement of the city in the first half of the nineteenth century with Napoleon's dock (which it is still called today) with some enlargements during the 1860's. During World War II, the port infrastructure remained virtually intact, as the allies understood the value of this port to bring goods into Europe from the US and UK. The PoA grew significantly after World War II thanks to funds of the American Marshall plan and the evolution in international trade and flow of goods shipped in containers after the 1970's. Luckily, the PoA had a number of visionary people, who worked effortlessly to improve current port infrastructure and to put Antwerp on the international map as a world leading port. One of those people is Mr. Marc Van Peel, former member of the Flemish Parliament, Senator and current Antwerp's 'schepen' or municipal executive responsible for the PoA industry and labor.¹² According to Mr. Van Peel, the port has grown immensely over the past 20 years, and has still a lot of potential to grow: 'we have grown from a mere local municipal administration in the seventies and eighties and even nineties to a fully modernized entity capable of serving the ever increasing needs of the private industry and we are still growing today. One of our main tasks as local service provider, is maintaining port infrastructure such as bridges, locks, road, tugging boats and acting as an active landlord. The goal is to provide infrastructure to potential investors and act as a facilitator'. According to Alex Van Breedam, CEO of Trivizor and Prof. Dr. at Antwerp Management School, the PoA should remove itself from being landlord only. He states: 'The Port of Antwerp should be an orchestrator to direct all parties, giving only concessions does not work. Due to the many

¹⁰ BERTELS, I., DE MUNCK, B. and VAN GOETHEM, H., *Antwerpen, Biografie van een stad*, De Bezige Bij, pg. 113.

¹¹ *Ibidem* pg. 39-39.

¹² The Dutch word *schepen* (Dutch pl. *schepenen*) refers to the incumbent of a municipal civic office in Dutch-speaking countries. The term is still in use in Belgium, but it has been replaced by 'wethouder' in the Netherlands. The closest English terms are alderman, member of the municipal executive, councilor and magistrate, depending on the context. The word *schepen* is not used in English, so this article refers only to the office in Dutch-speaking countries, see more on: www.wikipedia.org.

systems and actors, it is the job of the POA to act as a referee and gatekeeper in the logistic process, it's a system of sharing the gain and pain'.¹³ The PoA is actively participating in promoting the port internationally given by the fact they have a very active and professional marketing department and business development team, to attract international investors who would like to use Antwerp as one of their main ports of call. Potential investors are attracted by the numerous advantages the PoA can provide once they receive concessions (usually around 35 years), they have to agree to certain terms such as volume commitment, environmental regulations, employment standard, and much more. The PoA is in its respect very unique in combining production and logistics within the port area, moreover the PoA is the second largest chemical cluster in the world behind Houston USA. The port is also ever increasing today with the construction of the 'Deurganckdocklock', the largest lock in the world. Figure 4 below shows the PoA in its current state today with a highlight of the container terminals of which quay 730 (3) is Antwerp's biggest container terminal behind locks. The grey area represents port development since the beginning of the 19th century where the pink is the current city area.

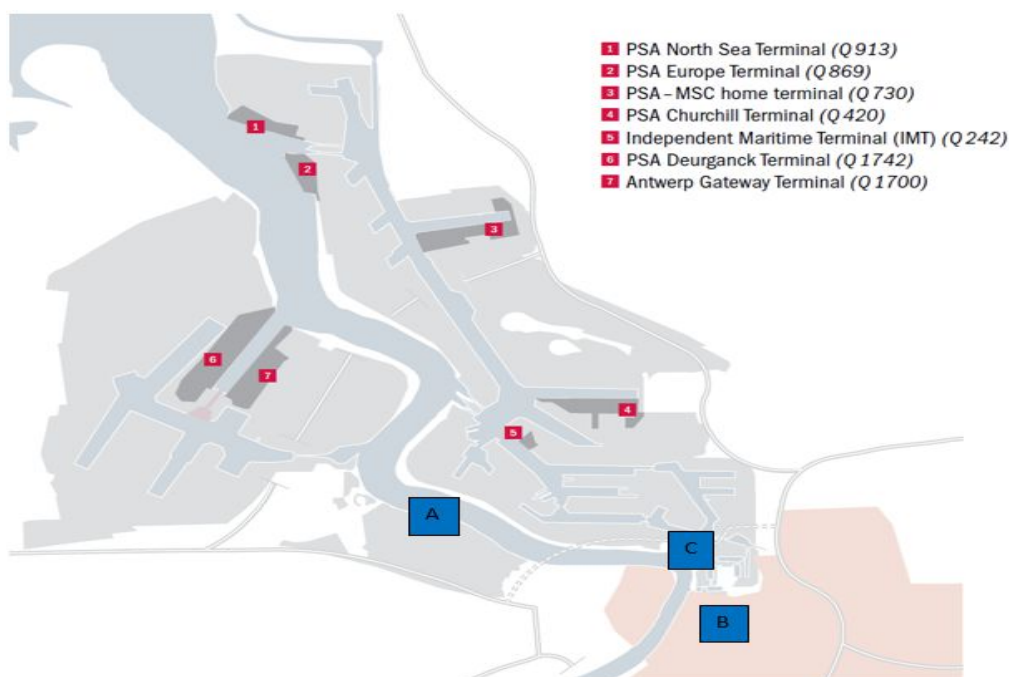


Figure 4. The Port of Antwerp – Container terminals

- A. The River Scheldt
- B. City of Antwerp
- C. 'Old Port' (19th & 20th Century)

¹³ TRIVIZOR, founded in 2008, is the world's first cross supply chain orchestrator. Its mission is to offer specialized knowledge and solutions to create, support and orchestrate flow bundling and horizontal partnerships in transport and logistics. They provide solutions by setting up a system of 'Cargo pooling' as many trucks today are empty improving profits and reducing CO2 emissions. For more info see: www.trivizor.com

MSC-PSA Home terminal will move from right to the left bank of the river Scheldt to quay 1742 (6) (operations have already started and are scheduled to be finalized first quarter of 2016). Notice the large grey area at the far left side of the map which is the last possible port development area called ‘land van Saeftinghe’, a vast green area, rich in fauna and flora. Next to this area on the left begins the Netherlands.

2. Shipping agents/brokers and freight forwarders: opponents in a logistic fencing arena?

As already mentioned, the task of a shipping agent is to secure cargo for the global carrier when a vessel is in port. They act as a local representative for carriers and work closely together with shippers and forwarders and provide valuable advice. The ship broker acts as an intermediary between the ship’s owner or charterer (i.e. the carrier) and buyer or seller of the goods.¹⁴ For MSC Belgium, these two are intertwined as both can do the task of one another. The freight forwarder acts as an intermediary between a shipper and shipping agent or carrier and is commonly called an ‘architect of transport’. We will further discuss the value of a shipping agent and forwarder and how or more importantly why a shipper uses both parties in chapter 4: a perceptive view from the business.

A. The shipping agent/broker

It is interesting to note that, unlike Apple or Coca Cola, ocean carriers like MSC and its agencies do not have any control over their market. Carriers cannot create a new piece of hardware like the iPhone or a new brand of Cola and increase their market. Our market is driven mostly by international trade and currency fluctuations (if for example the EURO is strong, Europeans buy a lot overseas, if it is weak, then other countries will buy a lot of European goods). Agencies can respond to global trends and fluctuations to secure cargo for the vessel but are certainly not the main actors to influence world trade.

¹⁴ www.fonasba.com: consulted on 15/05/2015.

MSC Belgium is regarded as the leading agent in the PoA, and during the latter years our agency, with its main port Antwerp, has done well as illustrated by below chart 1:

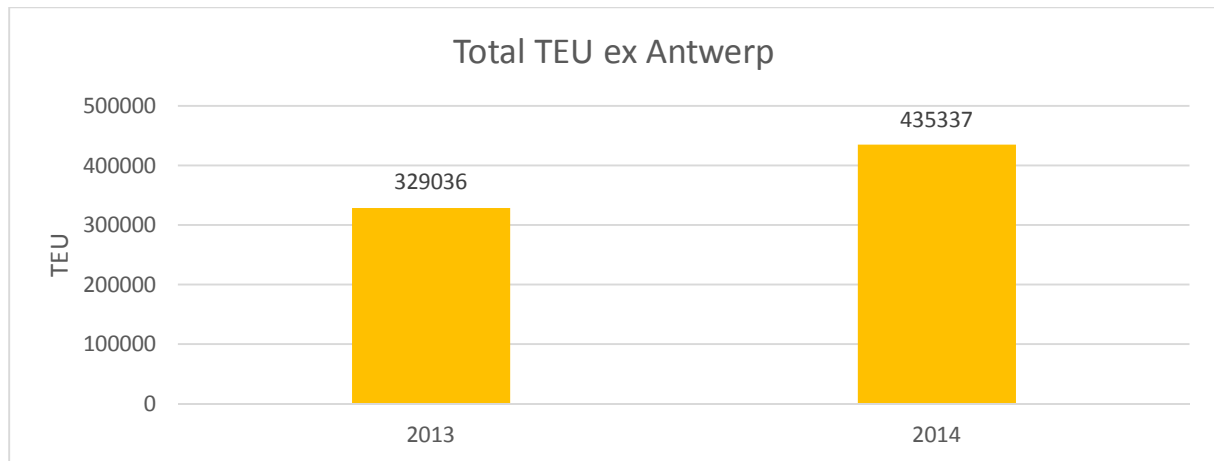


Chart 1: total TEU ex Antwerp

2014 saw an increase of over 100k in TEU in comparison with 2013 although it is important to note these are actual volumes booked by MSC Antwerp. Total volume handled, being import-export-transshipment booked by other agencies, in Antwerp fluctuates between three to five million TEU per year. The largest export trades can be found still in its main shipping core trade: the Mediterranean. Chart 2 gives a comparison between trades in volumes in 2013 and 2014. We see that Turkey, East Mediterranean (with its main ports like Alexandria, Mersin and Israeli ports) and Far East (like China and Indonesia) are the largest trade destinations with increasing yearly volumes (volume booked in Antwerp).

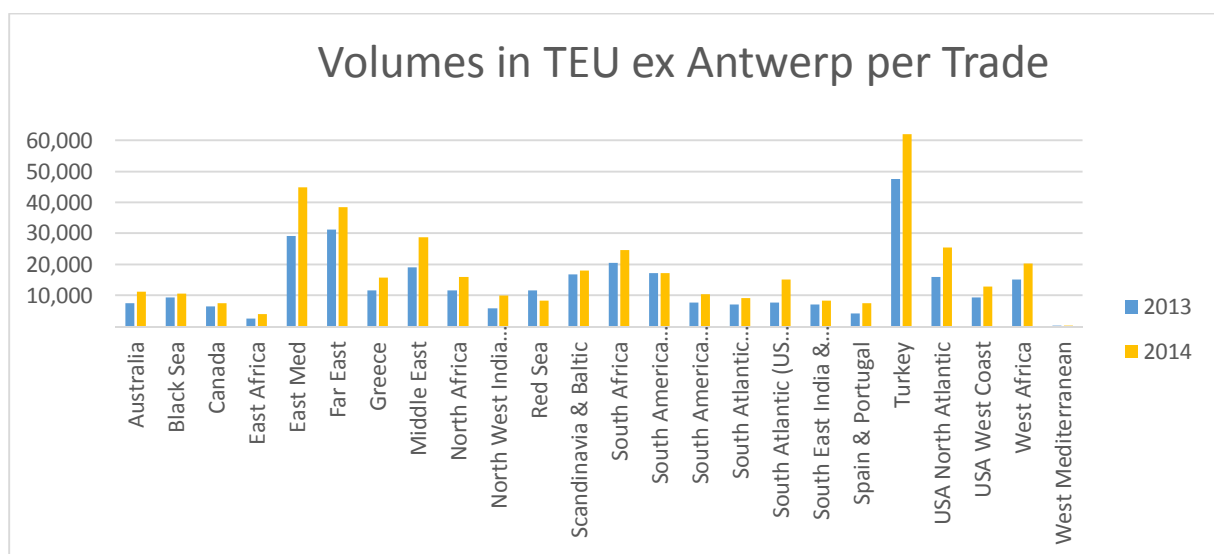


Chart 2: volumes ex Antwerp per trade

Historically there was no clear split between a merchant, ship owner and ship's agent as they were typically the same person. For example in A.D. 68, the Roman merchant and ship owner Titus Flavius shipped the famous Italian Falernian wine from Ostia to Alexandria in his own ships. As he was the owner of six ships sailing from and to those two ports, he had local contacts who acted as his agent to locally conclude the deals. His vessels sailed from Italy to Egypt and came back with grain in the well-known amphora *containers*.¹⁵ Some years later in 1449, the Venetian merchant Gustiniani Ambrosio started a fixed trade route by sea between Venice and Constantinople, shipping spices, pepper and silk from Constantinople to Venice and returning with wool and glasswork. His business adventure was short lived however, as he was killed during the Ottoman siege of the city of Constantinople in 1453.¹⁶ Currently, there is no modern uniform definition of a shipping agent which causes some problems regarding its legal position and responsibilities.

Let's take a closer look at the legal position of shipping agents and forwarders (further in point B below). Current Belgian Maritime Codes do not contain any notes on shipping agents. These Maritime codes are part of Belgian Codes of Commerce. The shipping agent is a legal application of the Belgian Civil Codes concerning rules and regulations with regard to agents.¹⁷ For almost 20 years the European Commission worked on the unification of the rules relating to agency contracts.¹⁸ On 13th of April 1995, the Belgian government signed the 'Law on Commercial Agency Contracts' which has been recently incorporated into the Belgian Economic Law.¹⁹ This law consists of a body of rules relating to the rights and duties of both the principal and the commercial agent acting as an intermediary 'on behalf of' and 'for the account of' a principal from whom they receive an instruction and possible payment.²⁰ The term 'shipping agent' however is not mentioned nor defined in the text but as the term commercial agent has a very broad base, the shipping agent is commonly regarded as such in

¹⁵ CONNOLLY, P., *Ancient Cities and Trade*, Penguin Books, 2001; pg. 65.

¹⁶ HARRIS, J., *1453*, Oxford University Press, 2004, Pg. 236.

¹⁷ Articles 1984-2010, Belgian Civil Code.

¹⁸ NOELS, D., 'FONASBA Standard Agency contracts in the light of the Belgian Implementation of EC directive 86/653, in: Legal Update, 2000, pg. 3.

¹⁹ Belgisch Staatsblad – Belgian Official Gazette – Moniteur Belge, 2nd of April 2014.

²⁰ *Ibidem*, 2nd of June, 1995. Article. 1.

Belgian law. To practice the function of a shipping agent there is no required license so anyone owning a computer, desk, pen and paper can call himself agent²¹ In 2007 a commission was set up to revise the Belgian Maritime Codes, on which they are still working today, as they no longer cover the legal changes of the shipping industry. Thanks to a number of European directives, a unified definition, clear sight of rights and rules of shipping agent are beginning to form, witnessed by a number of conferences and initiatives from the shipping industry itself.²² In 1988 the UNCTAD, United Nations Conference on Trade and Development, tried to set up ‘minimum standards for shipping agents which noted a commonly used, although not legally bound, definition of a shipping agent:

“Shipping Agent” means any person (natural or legal) engaged on behalf of the owner, charterer or operator of a ship, or of the owner of cargo, in providing shipping services including:

- (I) Negotiating and accomplishing the sale or purchase of a ship
- (II) Negotiating and supervising the charter of a ship
- (III) Collection of freight and/or charter hire when appropriate and all related financial matters
- (IV) Arrangements for Customs and cargo documentation and forwarding of cargo
- (V) Arrangements for procuring, processing the documentation and performing all activities required related to dispatch of cargo
- (VI) Organizing arrival or departure arrangements for the ship
- (VII) Arranging for the supply of services to a ship while in port

Following the UNCTAD standards, the Federation of National Associations of Shipbrokers and Agents (FONASBA) launched in 2001 a Quality standard for Ship Agents and Brokers. These standards were designed to assist ship-owners and operators ‘to identify those agents and brokers who are well-funded and demonstrate a tangible commitment to quality’.²³ In 2007 the agreement was updated under Standard Liner and general Agency Agreement (see Appendix 2) which stipulated a more detailed definition of the agent or principal and their duties. These

²¹ VAN HOOYDONCK, E., ‘Zevende blauwboek over de herziening van het Belgisch Transportrecht, scheepsagenten en goederenbehandelaars, Brussel, Commissie Maritiem Recht, 2012, pg.27.

²² VAN DOOSSELAERE, G., ‘Les agents maritime’, in Frans-Belgisch colloquim Antwerpen 16-17 november 2000, *Tussenpersonen van het zeevervoer*, Belgische vereniging voor Zeerecht, Antwerpen, 2000, pg. 92.

²³ www.fonasba.com, consulted 19/05/2015.

agreements are between carriers and agents only and are not obligatory so carriers usually make separate agreements with their agents, as MSC Belgium does with their principal MSC Geneva.

B. The freight forwarder

The freight forwarder also comes in many shapes and sizes. Historically the role of the freight forwarder was a basic local logistics provider for companies not having any local affiliate or representative. In Antwerp, they acted primarily as a provider for local customs duties and started to grow during the second half of the nineteenth century due to the increase in volume and improving port infrastructure.²⁴ A freight forwarder's position in the process of transporting goods allows the shipper (if required) to focus on the core competencies of the company. At present, there is no common definition of the term 'freight forwarder' or identical universal legal regulation of responsibility and functions. However in Belgian law, there is at least some regulation that stipulates the role of forwarder acting as an intermediary, provided by the AFFA (Antwerp Freight Forwarders Association).

The freight forwarder when looked upon in a legal perspective is sometimes referred to as a chameleon as he shifts color to fit into the legal environment of his varying services. A freight forwarder is thus not a carrier but an auxiliary person, a professional intermediary between cargo interests and the carrier, who arranges and organizes the carriage of goods from departure to destination. He does not undertake to carry himself and does not accept liability as a carrier as its position is often humorously summarized in the slogan "we forward all you like, but we do not carry it."²⁵ In an old Belgian law of 1872 (still applied today), the freight forwarder is generally a *commissionaire*, meaning someone who contracts on his own name but for the account of his client and for which he receives a commission.²⁶ The overall definition and tasks of a forwarding agent or freight forwarder are stipulated in the Belgian law of 26th July 1967 regarding the 'law on intermediaries in transport'.²⁷ A commissionaire is thus not legally regarded as an agent as he acts in his own name where an agent acts on behalf of a principal.

²⁴ GEERTS, B., *An Economic History of the Port of Antwerp*, Antwerp, Standaard Uitgeverij, 2013, pg. 156.

²⁵ POELMANS, A. & VAN MECHELEN, C., 'The freight forwarder, a definition in Europe', Antwerp, 2008, pg. 1.

²⁶ Belgisch Staatsblad – Belgian Official Gazette – Moniteur Belge, 5th May, Art. 12-17, 1872.

²⁷ *Ibidem*, 27th September, 1967.

It is often said that the legal wheel is slow to spin in matters of shipping or logistics and that adjustments are subject to a very slow legal changing process. According to Mr. Van Peel, this is normal: 'legal matters in the shipping industry are slow to turn as there are many parties involved in this process who all have different interests. Behind the formatting of the new maritime laws, there is a lot of lobbying from the government to get all stakeholders involved; once the chiseling starts, there is always one party who feels neglected and is more damaging for one party and rewarding for the other.' Next chapter will discuss the increasing role of IT in logistics and the legal challenges it can give to all involved parties: government, agent, forwarders and shippers.

3. ICT in logistics: 'it's all about data'

In above chapters, I tried to give a general overview of MSC Antwerp as an agency and the maritime history of Antwerp. Below follows an overview of the perception from the business regarding the role of ICT in logistics and what will be the future role of agents and forwarders. The role of data is big business, not only in logistics, but for all market segment who require expensive ICT driven systems. Technological improvements in the maritime industry come at a slow pace in comparison with airfreight, where technology and data flows in the airfreight business seem to be moving at a more rapid pace. Let's say you are planning a city trip to New York with the family. Either you have the choice to go to a travel agency and let them book a seat on a plane, go to the airline company (at a local agency/office near you) or you book at the numerous online engines (such as www.cheaptickets.com) to give you the best tariff available per airline. In comparison with the shipping company, you cannot negotiate on the price as this is fixed per seat per airline. When you book a container this process is vice versa: you can negotiate the rate but you cannot decide where your cargo will be placed on board. Although there is a general feeling the shipping industry will also evolve so these general booking sites will take over sales and booking desk, clients today can still negotiate rates depending on market conditions, volume, weight and value of the goods in live discussion, phone, mail or (in case of big shippers) via a tender process.

Shippers and carriers are investing heavily in ICT generating 'platforms' or 'clouds' to set up automated links between each other inter-company but these are not worldwide in use and

require more standardization. Also, due to the complexity of these ICT systems, the question rises of who is the legal owner of this data, and who is allowed to have the general overview. IT is an important feature in our daily lives. Every one owning a smartphone, tablet or laptop uses it on a daily base checking their e-mails, liking friends' photo's on Facebook or commenting on Twitter. You can check anything, anytime and anywhere. Same applies for logistics as a customer can now check features such as transit times, sailing schedules and even rates on the internet, provided this information is updated and provided for by the carrier or another logistic provider. There are a couple of reasons why companies are investing in IT and the need to digitalize their flows. First of all there is feature called globalization, meaning the world has become a town. We can buy goods from anywhere in a local shop or expect them to be delivered on our doorstep. Companies need to have detailed information about their stock worldwide and need IT to direct these flows, doing this manually is no longer possible. Secondly the increased labor cost pushes companies to either outsource to companies with lower labor costs and/or invest in IT (although not always cheaper) to be able to automate flows and involve less people doing manual labor. Both ways, however require integrated and complex IT systems.

Historically the 1980's marked the beginning of a change in logistics due to the rise of personal computers which enabled computer access for planners and caused a flood of data.²⁸ The logistics boom was further developed during the 1990's by the emergence of Enterprise Resource Planning (ERP) which enabled databases (like SAP) to interconnect, which are still in wide use today. Information and Communication Technologies (ICT) continue to play a key role in the daily logistic process viewed by shippers and transport providers, such as carriers and freight forwarder.

The use of ICT is part of an all integrated part of doing electronic business, i.e. 'E-business' of which 'E-commerce' (electronic commerce) is a part of doing business via the internet.²⁹ Due to the increased complexity of the supply chain process, all parties have to adapt and invest heavily in new and complex systems in order to keep up with the increased demand of the

²⁸ CAUDRON & VAN PETEGHEM, *Digital Transformation*, pg. 80.

²⁹ VISSER, H.M. & VAN GOOR, A.R., *Werken met Logistiek, Op weg naar supply chain management*, Noordhoff Uitgevers, Houten, 2009, pg. 84.

customer. Nevertheless, the use of ICT is not equally distributed in the industry.³⁰ Maritime companies such as carrier are rather slow to implement these systems for four main reasons:

- 1) The maritime shipping industry was (and still is) a business depending heavily on manual input which requires a lot of paper
- 2) The logistic process is still a slow business meaning a container is at least a few days underway (depending on origins and destination of course)
- 3) Due to the international character of the trade, a lot of customs has to be done, which is always a painstakingly slow process
- 4) To protect carrier data which is not to be disclosed to external partners

According to Geert De Wilde, Managing Director at SDV Belgium, there are a couple more reasons why data is so heavily protected: ‘first of all when you give your data to other parties you show your weaknesses in a way, as digitalizing info means other parties can find it via other sources. The client does not accept excuses anymore to cover up your mistakes. Secondly, you do not have any guarantee your data will not be used in another way you wish by another party. Thirdly, you have to decide to which party you will give your data (for example to protect your client portfolio and fourthly, the legal aspect: who is the general owner of this supply chain info?’. Another reason carriers are rather slow to implement open systems is the cost factor. According to Marc Van Straaten, E-Commerce Coordinator Benelux at MSC Belgium this cost factor is crucial: ‘implementing IT systems for carriers involves years of testing and requires large investments’. Due to the size of MSC and the number of third parties they are communicating with (ports, agents, logistic companies) this is slow process. Carriers traditionally are only following their main concern: volume and profitability, they were not interested in providing visibility to this data, as this was not always required. In 2015, all carriers are required to follow the trends of the market to follow the customer’s needs and to ship more volume with less people; it’s all about efficiency and visibility.

The shipping industry directly involves a large number of participants such as agencies, ports, vessels, terminals and transport companies. Each have a different role to play in the supply chain provided by the shipping line. Although they are generally owned by the same company, each party in this process does not always speak the same language in terms of IT systems and

³⁰ EVANGELISTA, P., ‘The role of ICT in the Logistics Integration process of shipping lanes’, in: Pomorski Zbornik, nr. 40, 2003, Naples, pg. 61.

are focused on a particular segment or set of activities rather than the complete chain.³¹ Each individual company uses different systems to process their flows and it is the task of complex IT systems to link these companies within the organization internally and externally to customers and other service providers.

Traditionally there are two main ICT systems which enabled interconnectivity between companies which are not only used in logistics but in a variety of market segments which require electronic interconnections: EDI ('Electronic Data Interchange') and internet by online cloud based web platforms. In past years, say from the end of the previous century until today, bookings are were placed by a medium we all use on a daily base: mail. The implementation of new and modern ICT systems is beginning to take over the dominance of mail (although mail is still a major communication tool) to place bookings and to send further shipping info as is illustrated by chart 3.

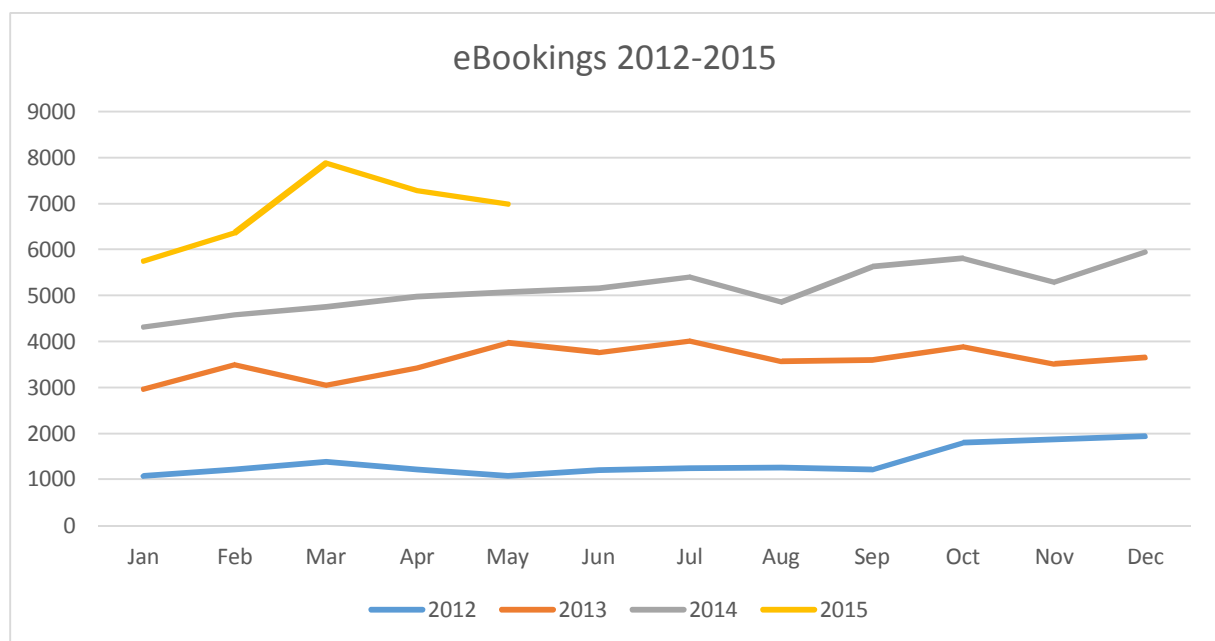


Chart 3. eBookings 2012-2015 MSC Belgium

Above chart shows the evolution in electronic bookings (eBookings) in past years at MSC Belgium. We clearly see an increase year after year proving the significance of these bookings for our agency. These bookings are the result of significant investments in our company, following the latest electronic trends which enabled almost clockwork improvement;

³¹ EVANGELISTA, 'The Role of ICT', pg. 69.

comparing 2012 to 2015 we already see for example in March an increase of over 6500 electronic bookings. Same trend is also valid for global shipping company Maersk Line, with its headquarters in Copenhagen, Denmark. Maersk has been investing heavily in IT development and continues to do so, in order to keep up with needs of the client. According to Lode Dheedene, Managing Director Belgium & Luxemburg Maersk, it all comes down to efficiency and transparency as clients are evolving too, and expect the same from their service providers. The shipping industry in general needs to be more modern, as currently it is still miles away from, for example the airline industry. The shipping industry is beginning to see a major rise in technological improvements and most of them in the IT sector, young people with fresh and modern ideas are taking over the business from an older generation generally not interested in IT.'

EDI refers to the connection and file standard that allows, for example, two computers to conduct business transactions over telecommunications networks. Major online booking platforms currently dominate the market on which shipper, forwarder and carrier are linked: Intrtra, Cargosmart and GT Nexus. The development of EDI began in the mid-1980's which resulted in faster communications, better control of the information flow, a decrease in paper usage and reduced costs.³² Due to these changes in logistic flows, every party has to change its way of thinking and adjust their business strategies to follow rapid data changes. According to Marc Huybrechts, President of VEA and CEB, the carrier and forwarding agent should no longer think in terms of 'transport hardware' with the physical movement of the goods, but in terms of the data as this will only increase: 'we are entering a digital era in which the amount of data will only increase, more so for the forwarder. There is an increased need of data pipelines where all parties of the logistic process can take data whenever they need to'.³³

The role of 'Big Data', the increased flow and importance of data, will be the main drive for all logistic companies to change their IT system to create a form of interconnectivity and role of the forwarder (see more below). The increased trend of digitalization creates a number of possibilities, but also a number of possible traps and issue. This could prove difficult to overcome. Digitalization can create a high level of cooperation between companies in the

³² BALUCH, I. 'The changing role of the freight forwarder', in: AT Kearney: The Future of International freight, 2003, pg. 2.

³³ HUYBRECHTS, M., 'Big data zal rol van expediteur fundamenteel veranderen', in: Flows, 2015, 9 april. Consulted 15/05/2015.

supply chain as currently these handlings can be seen as number of islands, which are interconnected. Full supply chain integration of all involved parties is traditionally a hurdle to overcome, as there is a high fragmentation of the business process. Most of the participants are focused on a particular segment of activities, rather than the complete chain. For example, as ocean carriers provide transportation by sea from port to port (of course sometimes by land too in ‘carrier haulage’) and remain weak on other stages of transport.³⁴ Furthermore, all participants use a variety of information technologies which are not always linked to each other, and manual intervention is still required. The increasing demand for global transport and logistics services by shippers and the development of new information and communication technologies, including e-commerce and internet, are radically altering the role and relationships between participants in the supply chain.

Still, building and maintaining this relationship is very important according to Walter Van Mechelen, president of Alfaport and Director logistics of the Gosselin Group: ‘ten-twenty years ago we used to talk all the time over the phone even made deals with carriers in local bars with a handshake, in comparison with the business today a lot more paper was used and less IT involved, which created a sort of information shroud which could be exploited by the forwarder. Today as everything is getting more and more digital, information is in real-time available to all parties over the internet.’³⁵

The emergence of e-business tools always has revolutionized the supply chain, enabling participants to lower their labor costs and speed up the process. Also these improvements lead to a number of alliances between carriers such as the current VSA (‘vessel sharing agreement’) alliance between Maersk and MSC, which was never before possible without integration of two complex planning systems per EDI. Also governments and ports have followed these innovations in technologies, or at least applaud them. Several major ports such as Rotterdam

³⁴ EVANGELISTA, ‘The Role of ICT’, pg. 69.

³⁵ Alfaport is the general platform from and for companies in Antwerp as part of the ‘VOKA’ Chamber of Commerce Antwerp. The Gosselin Group is an international renowned moving, warehousing and freight forwarding company located in Deurne (Antwerp), Belgium. For more info on Alfaport and Gosselin Group, visit: <http://www.voka.be/antwerpen-waasland/alfaport> & www.gosselingroup.eu

(with Port+) and Antwerp are building new complex computer systems to link all involved supply chain parties. In Antwerp major logistic companies, together with Belgian government, are building a new online cloud based platform called 'Central Data Platform' where data of all parties (shippers, carriers, forwarders, customs, ports ...) can be gathered to create a unified link. The main initiative came from Porticom with its president Frank Van Reybroeck: 'this data platform will create a sort of central mailbox where all data can be stored and taken out any time by all involved parties who are willing to join in the business model. A lot of lobbying has been done to get all major parties in Antwerp interested in this project. We will start implementing this new model in the summer of 2015'. When implementing a business model as this cloud platform an important question arises: who is owner or liable party of this databank? Is it the carrier, shipper, forwarder? With these online platforms or clouds, rises the fundamental question we can ask ourselves: can these platforms or clouds take over the tasks of an agent or forwarder? This questions was asked to a number of professionals in the field and share their opinion if we still have a job in 20 years' time.

4. Perspectives from the field: a Future for Shipping or Forwarding?

Below follow the accounts of all parties: shippers (either working with forwarders or not), forwarders and carriers together with some external views (not being one of the 3 main actors). We will see all parties have a very different approach in dealing with the upcoming digital trend in logistics and how this will affect their business or others. A more traditional view regarding shippers, agents and forwarders is that shippers either use a forwarder or they do their logistics themselves and go in direct contact with a carrier or agent. Why and how they wish to use each of these options, is a choice every shipper has to decide for himself and depends on a number a various factors like size of the company, choice to focus on their core business, budget, products and many more. Let's start by analyzing the perception towards the freight forwarders and afterwards the shipping agent.

A. The freight forwarder

Monsanto, an agricultural company with more than 20000 employees worldwide, used to work with a local forwarding agent but decided to do their logistic flows themselves; according to Eddy Duquet, Senior Transportation Specialist, this has several reasons: ‘Monsanto Antwerp has its own forwarding department which does not only do forwarding, but also does warehousing and planning. We have a good team of eight people with an enormous amount of know how within the company so we do not need an external partner who is expensive and does not know our business. Being so close to the PoA has a number of advantages so we try to use them as best as we can in order to avoid using a forwarder. We are a large company so we have the funds and resources for doing our own logistics.’³⁶

BASF Antwerp, one of the largest chemical companies in Antwerp and the world, has a similar set up like Monsanto, they do their own logistics as stated by Joost Naessens, Operations Manager at BASF Antwerp: ‘we at BASF are trying to follow our core business and our main concern is getting the goods to the client in time. Mainly we do our own logistic process without any forwarder as we have our own people at BASF. But for some special intermodal transports or external warehousing, we do use a logistic service provider, as these are specialized markets in which we do not feel at home. Outsourcing these logistic services is not our goal as we still produce a lot of volumes in Antwerp so we need to monitor this closely. If we ask this process of monitoring to a forwarder, we do not get the same level of service as from our own people. Although we do not completely ban external partners we have seldom seen a partner fully understanding our needs and providing what we need on a day to day service level.’

According to Geert de Wilde at SDV, the role of the forwarder is hard to predict as you never know how companies or industries evolve. But forwarders today have to change their way of thinking: ‘forwarders of today need to be aware of the challenges of tomorrow, if they stick to their usual routines and company strategies they will not survive. Every company has to be open for change, especially in digital trends which are starting to develop or are already here. The forwarder still has a big potential part to play if they are willing to adjust to this big data flows and act as a control tower for shippers. Standard tasks, such as providing custom papers

³⁶ For more info on Monsanto: visit: <http://discover.monsanto.com/>

and carrier info by a forwarder will disappear in the future, as carriers are evolving too. Forwarders need to focus on market segments where carriers are generally weak or totally absent: warehousing, evolving to a 3PL or 4PL (basically taking over all logistic flows for a shipper) or providing services in areas not generally called by a carrier (as SDV is a big player for flows from and to Africa). Data and digitalization are the key to the future but we also have to calculate the total cost of these improvements, as IT is a heavy cost for every company’.

In an era where companies are outsourcing more and more to cut costs in departments that can be taken over by automated IT systems, one has to ask himself: what is the cost of this IT-infrastructure? More IT with less people means increased costs? Only time will tell. The increased cost for IT and the fact that information is available for all parties will be the death for the forwarder in the future according to Walter Van Mechelen: ‘in my opinion there is no future for the freight forwarder as they will have to compete with large carriers who are evolving in terms of systems, inland services and IT too, also the internet with its vast data stream will be the cause of the downfall of the forwarder.’

According to a major recycler in Antwerp, who wishes to remain anonymous, the future role of the forwarder will be limited as global systems will evolve and custom rules will be simplified. But as systems evolve, there rises the need to secure this info for all parties as valuable company info is almost fully stored in computers. IT security is major concern for this company, that’s why they do not invest heavily in IT (although they follow the latest market trends in EDI and internet platforms).

Carine Daniels, Branch Manager Sealiner, is unsure if there is a future for a freight forwarder. Even though Sealiner is a freight forwarder (fully owned by MSC Geneva but acting independently) Ms. Daniels claims the role of a NVOCC will disappear as the majority of big shippers are using more and more direct relations with carriers via a tender process.³⁷ She follows the idea that shippers do not need a forwarders if they are big enough and have the funds to do their planning and shipping themselves.

³⁷ A NVOCC (‘non-vessel operating container carrier’) negotiates rates and slots with a shipping line or carrier for a fixed period and acts as a container carrier without the assets of a carrier. They sell these slots (mostly at a higher rate) to the shippers and create a profit this way.

Usually small to medium sized businesses are relying on a freight forwarder to do their forwarding: ‘the freight forwarder is regarded as a transport architect, but this is only the case if a shipper requires this and focusses on its core business and are not interested in doing their own logistics’.

Frank Van Reybroeck, Managing Director of forwarding agency L’idéal and chairman of Porticom, sees the future of forwarding more controlled by IT which is integrated and automated in cloud based systems as discussed in chapter three. The logistic world has been very fragmented in terms of IT linked systems: ‘our idea of creating a central data platform based on cloud technology was derived from other older systems already in place and fully operational (such as Portbase in the Netherlands). Putting all info from parties into a central platform creates a number of opportunities, provided the business and port authorities will follow. If these systems are operational, we can only hope a forwarder will still be regarded as a valuable partner and not an obsolete one as all data will be made available for all to see (if of course everything is legally correct)’.

François Zehr, Regional Transportation Manager EMEA, uses the services of a freight forwarder as the Cabot Corporation wishes to remain focused on its core business. Cabot has no wish to get involved in the ocean and inland operational flows and uses Kuehne & Nagel as logistic provider. According to Mr. Zehr every shipper using a forwarder can take a lot of headaches away from the shipper but you need to make sure you have at least some people capable to control the forwarder. Cost however still remains the biggest factor when choosing a forwarder, as you need to have a lot of extra people if you organize your flows yourself: ‘although the forwarder is still a major cost for your operations, labor costs are still higher (depending of course on the number you hire and the volumes you ship). Hiring external professionals gives you the freedom to focus on your own business as otherwise you need to know local rules and regulations. Also, this protects you from the flooding of operational issues from the carriers and other providers as they handle it for you, of course this service comes with price tag’. Although the forwarder today is still an important provider for Cabot, according to Mr. Zehr the forwarder will disappear in the near future: ‘we will still need documentation and customer service centers to control businesses, but we will not need the same amount of people tomorrow as we do today. Systems will evolve and IT will play a major role in the future as labor costs are only increasing. At Cabot we have no choice but to move our operations to countries with lower operational costs’.

Big forwarders, such as Kuehne & Nagel and BDP, are still investing heavily in the NVOCC role of the forwarder (due to the experience and good relations with carriers) and very sophisticated IT systems to provide their client with integrated logistic services. According to Rudi Illegems, Manager Sea freight at Kuehne & Nagel Antwerp, the forwarder as we know it will have to evolve into a fully integrated logistical partner: ‘today the forwarder still earns money on sea freight but this will change in the future, as large shippers are negotiating with carriers directly. The forwarder has an important challenge to convince the shipper to allow the forwarder to handle their business. We at Kuehne & Nagel are well aware of this and are providing them with optimal tailor made business solutions, known as business packages’. K&N is also investing heavily in new IT systems and is since years connected to EDI and online platforms to connect them with the client and carriers, although these costs have to be monitored closely: ‘companies are outsourcing more and more due to the high labor costs in Europe, IT can provide solutions but are becoming an ever increasing costs too. One has to remember these system are human driven too, so expensive IT specialists will run the business in the future’.

B. The shipping agent

Opinions regarding the shipping agent are more fragmented as all sources generally cannot say if this job will still exist in the future. Due to the increased digital process of negotiating rates, like we saw in the airline industry, some think this trend will be extended to the shipping industry too; no more negotiating for a specific amount of volume but fixed prices per slots on a vessel. Although the shipping agent is only acting on behalf of a principal and cannot be legally prosecuted, all sources confirm the value of a local representative of a carrier. Rudi Illegems says: ‘when all hell breaks loose, you need a local agent who can direct and handle locally and not someone who is 5000 km away at a general desk who is not familiar with local rules. You can digitalize all you want, but in the end systems are still based on human actions in which a good service level, provided by experienced humans, is preferred over an automated system’. The human factor remains very important according to Eddy Ducet as ‘an agent can feel the needs of the client where a system is the result, and nothing without the actions of an agent or IT specialist’. According to Lode Dheedene, the shipping agent will always find a place in the shipping industry.

The need to cut costs and/or outsource always has its limits, as is investing heavily in outsourcing in low labor costs countries, like India and Pakistan, but always keeps a local office to handle sales and customer service on a personal level when problems arise. This way Maersk is able to outsource labor (and costly) intensive processes like documentation and booking desks and provide the customer with low freight rates wherever possible. To prove the value of this process, Maersk Antwerp has doubled its volume with less people: ‘a couple of years ago there were about 280 people working in Antwerp, today we do more volume with about 150 people proving the value of our business plan’.

MSC is evolving daily regarding IT and business development. Local agencies will have to evolve too in order to be able to provide the increasing needs of the customer. According to Marc Beerlandt, CEO MSC Belgium, local agencies will become specialized service centers for clients which are still locally based and not outsourced to foreign countries: ‘we will be able to do even more volume with the same amount of people thanks to ever evolving worldwide MSC IT systems, which are fully linked to each other. The drive behind all this, is the need to expand and to be more transparent, combined with an increasing need to treat every customer as a VIP one: shippers regardless of volumes will be treated as VIP ones as we are able to link systems from customer to MSC worldwide and onwards to their clients. MSC acknowledges the need to provide a very personal and tailor made customer service, a feature MSC is still renowned for and for this, we see no need to remove this advantage. Freight forwarders, hanging on to their old habits, are bound to disappear due to this increased capacity of carriers talking directly to all possible clients: ‘forwarders earning money on freight rates are a dying race as they need to evolve too, which some large ones as Kuehne & Nagel and warehousing companies as Katoennatie are already doing’. ‘It is not a question if or when MSC will evolve, this is a fact which is already happening. We will see some major changes within the company within five to ten years’ time. These are indeed very exciting times for MSC Belgium and MSC in general’, according to Mr. Beerlandt.

5. Conclusion

The shipping agent and forwarder remain important links in the supply chain. Why and when a shipper decides to use either a forwarder or go directly to a shipping agency is a choice every shipper has to make, based on a number of variables. Usually large companies (like BASF and Monsanto) do not use one or at rare occasions (for example for custom documentation). If a shipper has its own logistic department and the necessary funds, usually they will not use one as they can do all flows on their own account. Shippers that use a forwarder for their logistic flows (either in 3PL or 4PL) use one because they wish to focus on their main core business, lack the funds to hire in house professionals and/or do not have the necessary know-how to do it on their own.

The main question however still remains: will the forwarder or agent (or both) disappear in the near future or are they in the balance? Hard to say. According to the business itself, there will always be a local carrier representative because local problems are better handled locally by someone who is close by. Cutting costs and outsourcing important operational flows to low cost countries is risky as they cannot handle this with the same care or speed of someone handling locally. Focal points will remain very important for carriers as they are at the source and can intervene fairly quickly. An area which is more bound to move or to be centralized is sales according to some shippers and forwarders, as commercial matters do not need to be at the port of load but at a centralized desk or system, a fact not agreed by carriers as they feel the need to still close deals locally. Systems will evolve and digitalization will only increase on a day to day basis but we need to understand that behind these ‘improvements’, there will always be people that provide these IT solutions and that solutions come from the business itself. Every company will have to adapt and invest in this very expensive IT technology. Question is: will a small shipper invest in these things or will they proceed like they do today and use a forwarder who is fully equipped with latest technology?

Agencies and forwarders will have to evolve themselves if they want to make sure they have a future. The forwarders and agents of today are not necessarily those of tomorrow as they are constantly evolving. Shippers can either book directly with a carrier or use an external partner. Forwarders themselves see the need to adapt (cf. the rise of ‘big data’) and create ever more smart logistic technologies to convince the shipper (even small to large) they need an integrated partner to take over their logistic flows. Thanks to this ‘battle’ on a day to

day base, our business remains a very attractive and interesting and is constantly evolving. Volume too, seems to be an important factor as usually shippers with low volume are more likely to contact a forwarder as they generally do not have the interest, funds and IT set ups to go directly to a carrier and rely on a forwarder to handle it for them. For these shippers forwarders will remain very important.

I am well aware of the limits of this paper in terms of global reach and representation but I am confident the PoA offers a very good insight worldwide due to its international reach and challenges it still has to face. Further research and going deeper into the topics I have mentioned is necessary, as I only scratched the surface due to the limited timeframe. MSC Belgium too is evolving daily and creates ever more solutions for their clients in order to better serve their needs. Our agency, even in an era of digitalization, hires more people where other carriers and businesses are downsizing in favor of automated IT systems. The main strength of MSC still lies in its people and providing the main service MSC is famous for: a tailor made customer driven service with a high skill level per employee, something a computer never can replace.

First and foremost I wish to thank my colleagues at MSC providing me with this opportunity. I learned a lot writing this paper. Secondly I wish to thank all people with whom I spoke at MSC and the business in providing me with valuable insights. Lastly I wish to thank FONASBA for starting this very interesting challenge for young people and giving them an opportunity to learn.

Frédéric Van Mechelen

READER COMMENTS

APPENDIX

1. MSC CONTAINER SPECIFICATIONS (standard containers)

20' STANDARD STEEL CONTAINER - 22 G1



INTERNAL DIMENSIONS			DOOR		
L	W	H	W	H	
5.898 m	2.352 m	2.393 m	2.340 m	2.280 m	
19' 4 13/16"	7' 8 13/16"	7' 10 3/16"	7' 8 1/8"	7' 5 1/4"	
CUBIC CAPACITY			TARE WEIGHT		
MAXIMUM PAYLOAD			MAXIMUM GROSS		
33.10 m³			28,260 kgs		
1,172.4 Cft			62,302 Lbs		
			4,894 Lbs		
			67,196 Lbs		

40' HIGH CUBE STEEL CONTAINER - 45 G1



INTERNAL DIMENSIONS			DOOR		
L	W	H	W	H	
12.032 m	2.352 m	2.658 m	2.340 m	2.585 m	
39' 5 1/4"	7' 8 3/16"	8' 10 7/16"	7' 8 1/8"	8' 5 1/4"	
CUBIC CAPACITY			TARE WEIGHT		
MAXIMUM PAYLOAD			MAXIMUM GROSS		
76.40 m³			3,840 kgs		
2,698 Cft			8,465 Lbs		
			63,184 Lbs		
			71,650 Lbs		

40' STANDARD STEEL CONTAINER - 42 G1



INTERNAL DIMENSIONS			DOOR		
L	W	H	W	H	
12.032 m	2.352 m	2.393 m	2.340 m	2.280 m	
39' 5 1/4"	7' 8 3/16"	7' 10 3/16"	7' 8 1/8"	7' 5 1/4"	
CUBIC CAPACITY			TARE WEIGHT		
MAXIMUM PAYLOAD			MAXIMUM GROSS		
67.70 m³			3,640 kgs		
2,390.8 Cft			8,024 Lbs		
			63,625 Lbs		
			71,650 Lbs		

Appendix 1. MSC Container specifications

2. FONASBA STANDARD LINER AND GENERAL AGENCY AGREEMENT

2.0 Duties of the Agent

- 2.01 To represent the Principal in the Territory, using his best endeavours to comply at all times with any reasonable specific instructions which the Principal may give, including the use of Principal's documentation, terms and conditions.
- 2.02 In consultation with the Principal to recommend and/or appoint on the Principal's behalf and account, Sub-Agents.
- 2.03 In consultation with the Principal to recommend and/or to appoint on the Principal's behalf and account, Stevedores, Watchmen, Tallymen, Terminal Operators, Hauliers and all kinds of suppliers.
- 2.04 The Agent will not be responsible for the negligent acts or defaults of the Sub-Agent or Sub-Contractor unless the Agent fails to exercise due care in the appointment and supervision of such Sub-Agent or Sub- Contractor.
- Notwithstanding the foregoing the Agent shall be responsible for the acts of his subsidiary companies appointed within the context of this Clause.

3.0 Activities of Agent (Delete those which do not apply)

3.1 Marketing and Sales

- 3.11 To provide marketing and sales activities in the Territory, in accordance with general guidelines laid down by the Principal, to canvass and book cargo, to publicise the services and to maintain contact with Shippers, Consignees, Forwarding Agents, Port and other Authorities and Trade Organisations.
- 3.12 To provide statistics and information and to report on cargo bookings and use of space allotments. To announce sailing and/or arrivals, and to quote freight rates and announce freight tariffs and amendments.
- 3.13 To arrange for public relations work (including advertising, press releases, sailing schedules and general promotional material) in accordance with the budget agreed with the Principal and for his account.
- 3.14 To attend to conference, consortia and /or alliance matters on behalf of the Principal and for the Principal's account.
- 3.15 To issue on behalf of the Principal Bills of Landing and Manifests, delivery orders, certificates and such other documents.

3.2 Port Agency

- 3.21 To arrange for berthing of vessels, loading and discharging of the cargo, in accordance with the local custom and conditions.
- 3.22 To arrange and co-ordinate all activities of the Terminal Operators, Stevedores, Tallymen and all other Contractors, in the interest of obtaining the best possible operation and despatch of the Principal's vessel.
- 3.23 To arrange for calling forward, reception and loading of outward cargo and discharge and release of inward cargo and to attend to the transshipment of through cargo.
- 3.24 To arrange for bunkering, repairs, husbandry, crew changes, passengers, ship's stores, spare parts, technical and nautical assistance and medical assistance.
- 3.25 To carry out the Principal's requirements concerning claims handling, P & I matters, General Average and/or insurance, and the appointment of Surveyors.
- 3.26 To attend to all necessary documentation and to attend to consular requirements.
- 3.27 To arrange for and attend to the clearance of the vessel and to arrange for all other services appertaining to the vessel's movements through the port.
- 3.28 To report to the Principal the vessel's position and to prepare a statement of facts of the call and/or a port log.
- 3.29 To keep the Principal regularly and timely informed on Port and working conditions likely to affect the despatch of the Principal's vessels.

4.0 Principal's Duties

- 4.01 To provide all documentation, necessary to fulfil the Agent's task together with any stationery specifically required by the Principal.
- 4.02 To give full and timely information regarding the vessel's schedules, ports of call and line policy insofar as it affects the port and sales agency activities.
- 4.03 To provide the Agents immediately upon request with all necessary funds to cover advance disbursements unless the Agent shall have sufficient funds from the freights collected.
- 4.04 The Principal shall at all times indemnify the Agent against all claims, charges, losses, damages and expenses which the Agent may incur in connection with the fulfilment of his duties under this Agreement. Such indemnity shall extend to all acts, matters and things done, suffered or incurred by the Agent during the duration of this Agreement, notwithstanding any termination thereof, provided always, that this indemnity shall not extend to matters arising by reason of the wilful misconduct or negligence of the Agent.

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**FONASBA YOUNG SHIP AGENT
OR SHIP BROKER OF THE YEAR AWARD
2016 ENTRY CRITERIA AND TIMETABLE**

**The entry criteria and timetable are reproduced
on the following pages.**



FONASBA

YOUNG SHIP AGENT OR SHIPBROKER OF THE YEAR AWARD 2016

PURPOSE:

The aim of the Award is to develop professionalism among young people in ship agency and shipbroking and to encourage them to be actively engaged in the industry. A further objective of the Award is to increase FONASBA's academic resources.

AUTHOR ELIGIBILITY CRITERIA:

The author shall be 40 years of age or under at the time of submission of the paper to the Review Committee and be employed by a company that is a member of a FONASBA Full or Candidate Member association or by an Associate or Club Member.

PAPER CRITERIA:

The paper should present a comprehensive analysis of the role of the ship agent or shipbroker in a specific field or market sector, alternatively on any other sector of the international maritime industry. It should be written in such a way as to be understood by both professionals in the field as well as general (non-maritime) readers. In order to avoid duplication of subjects covered, and to ensure consistently high standards, the subject of the paper will be agreed between the author and the Review Committee prior to work starting. The author will therefore be invited to submit the title and a short summary of the scope and contents of the work to the Committee for review and comment. The Committee may suggest such changes to the proposal as it feels appropriate to ensure the finished work meets the required standards.

The work itself shall comprise a formal written paper (illustrated if appropriate) to a maximum 10,000, words, excluding the title, indices, footnotes and bibliography. The paper will be written in English and submitted in Times New Roman 12 point font.

The timetable for entering a paper to the Award scheme is provided below.

OWNERSHIP/PUBLICATION OF ALL PAPERS

Copyright of the paper remains with the author but in entering for the award, the author agrees that the work will be made available to the membership and the public via the website.

REVIEW PROCESS

All aspects of the review process and selection of the winner of the Young Ship Agent/Shipbroker of the Year Award will be undertaken by a Review Committee comprised of the following:

- A senior member of FONASBA as Chairman, nominated by the Executive Committee
- The Vice President for Education
- A third individual nominated by the Executive Committee

The Review Committee will be supported by the FONASBA Secretariat which will administer all aspects of the Award scheme, including all communication with the authors.

AWARDING OF YOUNG AGENT/BROKER TITLE

The Review Committee will consider all papers received by the closing date shown below and select the best entry. The winner will receive two prizes courtesy of Club Members ITIC and BIMCO. The first is a cash award of € 500.00 from ITIC and the second is complimentary access to an e-Learning module of their choice from the range of courses offered by BIMCO. A certificate will also be awarded to the winner, who will be invited to attend the next FONASBA Annual Meeting to receive their prizes. Should the winner attend the Annual Meeting, FONASBA will pay the applicable registration fee. Should they be unable to attend however, the certificate and prizes will be sent by FONASBA to their national association for presentation locally. News of the award will be publicised in the maritime media and via the FONASBA website.

AUTHOR AND REVIEW COMMITTEE TIMETABLE

- Title and a short (maximum one page) summary of the scope and contents of the paper to be submitted to the Review Committee via the association and the FONASBA Secretariat (admin@fonasba.com) by 15th January 2016
- Review Committee to reply accepting the proposed paper, or suggesting amendments, by 15th February
- Completed papers to be returned to the Review Committee, via the Secretariat as above, by 15th June.
- The Review Committee will select and announce the winner by 15th August. The winner will then be invited to attend the FONASBA Annual Meeting to receive the award

JK/London November 2015

For further information on FONASBA,
its aims, objectives and membership,
please contact the London Secretariat

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www.fonasba.com