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## The monster and the bear

**I**N HORROR movies, the slasher always comes back for another go at the happy couple that has seemingly defeated it minutes before. So, too, apparently, does the bear reappear to deliver a gut-wrenching shock to global markets.

The bear's return serves as a confirmation to the paranoid and warning to the complacent. There is plenty of woe to make the one smile and the other duck in the wake of the bear run that began last week, just following the adjournment of the US debt fight and the onset of new, seemingly intractable problems

in the eurozone. Asia stocks were particularly roiled on Friday. Japan and South Korea's exchanges closed 3.7% lower than the previous day, while Hong Kong's market was down by 4.3% and Singapore's by 3.6%.

Precious Shipping chief executive Khalid Hashim characterised the mood among his peers: "The economies of China and India are minuscule compared to the US and Europe. Everyone talks about Asia filling the gap, but if these two stumble and fall we are in a serious situation."

The market ructions present a good excuse to examine how shipping stocks are behaving as indicators. In Hong Kong on Friday, they fell further than the Hang Seng Index. Orient Overseas International Limited dropped 6.3%, in one example. But in Singapore, shipping stocks fell in parity with the market.

What is interesting, however, is that Singapore shipping stocks have been getting hammered for more than two weeks, ahead of last week's global correction. Neptune Orient Lines has fallen around 9% since July 25. Investors may have become spooked before the spectre of another serious trade collapse loomed, precisely because so many shipping

companies have left themselves especially vulnerable to a global slowdown in trade.

Whether the return of the bear will lead, like in many a movie ending, to a victory for the clever and the brave remains to be seen.

But if a second dip in an already long and painful recession looms, the recent follow-the-leader ordering of huge ships in the box sector will come to look complacent indeed.

## Spot on

THE rule of thumb for the transpacific container trade is that the vast majority of eastbound carryings — from Asia to North America — are carried under annualised contracts, typically running between May 1 and April 30 the following year.

So vast is that majority that the accepted wisdom is that the spot market only consists of around 5% of the total transpacific carryings, but the behaviour of shippers over the course of this year, during a period when spot rates have become profoundly

depressed would suggest that the spot market is like an iceberg.

Let us return to the experience of The Containership Co, which under its contracts had minimum quantity commitments amounting to 130,000 teu. But in the event it only carried around 30,000 teu because shippers were lured elsewhere by lower freight rates.

What else can that be called but the spot market? In TCC's experience, the spot market actually amounted to around 75% of its business.

Clearly one line cannot be representative of the whole trade, but in an interview in this paper in late June a senior Maersk Line executive said that a number of shippers were walking away from contracts in search of cheaper freight rates — and it must have been a significant enough number for the line to publicly complain about it.

The increasing size of the transpacific spot seems to exert an increasing gravitational pull. The more shippers that walk away from contracts, the more freight rates depress, which in turn causes even greater numbers of shippers walk away. Repeat and fade, ad lib, ad nauseam. ■

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### Industry Viewpoint



MICHAEL GREY

**A private premiere of Steamship Mutual's new piracy training film conveys the tension and stress of navigating through Somalia's dangerous waters**

# Piracy on the silver screen

**T**O THE City of London Museum last Wednesday, to see Steamship Mutual's new training film *Piracy – The Menace at Sea*. It seemed a slightly improbable venue, so far from the extraordinary events taking place on the high seas in the Somali Basin, some 120 of us all sitting comfortably while 400 seafarers were being held in varying degrees of terror and unpleasantness by the armed and violent thugs who had taken over their ships.

The private premiere took place after the general public had been ushered out of the Museum at the end of its day, but it was a capacious cinema and it occurred to me that a service might have been done by filling up all the empty seats with members of the public, most of whom would not have had a clue that such events were taking place contemporaneously. Indeed, they would have probably thought that they were watching fiction, or events that had taken place in another century.

This was an excellent film, which Steamship's Chris Adams said was undertaken to promote awareness, and this is exactly what it would do very well. It will be translated into Chinese and Tagalog and Russian, and seafarers will get to see it and imbibe its lessons of preparedness and precautions and watchfulness.

But frankly, with a very little editing, it would benefit screening for the general public, as it is made with great professionalism and the tale it tells is every bit as gripping as anything that is screened for our delectation during prime time.

Edward Stourton is the narrator, and undertakes this task with authority and aplomb, whether he is on location in the Middle East or on board real ships, in the operational headquarters of the naval forces in Northwood or Bahrain where the job of co-ordinating the warship protection is undertaken.

The talking heads know what they are talking about and what comes over is authentic "reality" that will not leave any intelligent watcher unmoved. Stourton, who narrated an earlier film for Steamship on collision avoidance with such expertise that most people thought they were watching a shipmaster of long experience, lets the experts deliver their expertise and does not intrude unnecessarily. Director



Extraordinary military co-operation: some 50 nations are working together to combat the threat from Somali piracy.

Nato

Tom McInnes of Callisto Productions, which made both films, knows what he is about.

An audience drawn from the London shipping, law and insurance sectors heard the Royal Navy Captain Keith Bland speak of the "extraordinary" military co-operation that has seen 50 nations, many of which are not natural bedfellows or historic allies, working together to combat this threat. Best of all, he emphasises, has been the co-operation between the commercial and military elements, with "all differences put aside to deliver progress".

I suppose the proofs of progress will be demonstrated when the monsoon gives way to the next "piracy season", but Capt Bland gave a generally upbeat report on the present situation.

***Lest anyone think that these thugs are going to chuck away their weaponry and go back to shrimping, it is worth noting that there are still 17 vessels in captivity with their wretched crews***

There are still people daft enough not to register with the military before their passage through these dangerous waters, still owners out there prepared to gamble on the odds that their ships will not be attacked, but registration has improved to some 90% of ships in transit through high-risk areas. There has been no successful attacks in the transit corridor for more than nine months. Best management practice clearly is working.

Nevertheless, lest anyone think that these thugs are going to chuck away their weaponry and go back to shrimping, it is worth noting that there are still 17 vessels in captivity with their wretched crews.

There have been 126 attacks this year so far compared with 78 for the same period in 2010 and that the ransoms paid this year reflect the pressures of inflation and already exceed all those paid out for a need of 2010. There is, said Capt Bland, a need to keep up the momentum and tempo.

The film conveys something of the tension and stress of navigating through these dangerous waters. It shows ships wreathed in more coils of razor wire than you would see in a maximum security prison, water protection devices and the "hardening" of the ship's defences with

steel doors and grilles. It shows a crew diving into their armoured citadel, where they can hopefully sit out their ordeal for 72 hours, while the frustrated pirates set about wrecking their ship, or be chased off. It is frightening stuff, this seafaring in some of the world's most travelled sea lanes, in this 21st century.

The film takes a cautious line about security guards, pointing out the value of unarmed guards and cautioning against tooling up with mercenary firepower.

I just wonder whether the official line, in which there is a lot of seriously risk averse advice being given by the authorities about liabilities, is not being overtaken by events, as more flag states give permission for armed protection to be used on board their ships.

Seafarers too (or at least some of the ones I have been speaking to) seem less concerned about the human rights of those who are intent on violently subduing their ship's company, and the concerns about liabilities. They read about the levels of violence escalating, the torture and the deaths and would probably weep few tears for pirates who don't get home. ■

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[www.lloydslist.com/piracy](http://www.lloydslist.com/piracy)

### Letters to the Editor

## Modern morality means Somali pirates will flourish

From Sean Gay

SIR, I went to a good film on the dangers of piracy at Museum of London sponsored by Steamship Mutual.

It provided a good message for owners and masters of the various precautions one can and should take to lessen the risk of successful attacks by Somali pirates which have resulted in hundreds of crew being taken hostage with violence levels towards them being ratcheted up and increasing numbers of deaths being reported.

It showed what the various

international naval and military units are doing to co-operate together and assist merchant tonnage in their defence against pirates.

What was missing was any sign of being able to cure the disease — all that is happening is treatment of the symptoms — indeed the implication was that up to 1,000 Somali pirates have been detained, disarmed and then set free which, of course, enables them to have another go; and why wouldn't they?

Piracy is nothing new — there have been major outbreaks of it for well over

2000 years, indeed, it is suggested that in 1800 20% of US government revenues were paid to the Barbary states in ransom.

What is pretty new is modern morality and law under which a pirate cannot be punished as soon as he puts his hands up.

The lessons of history in this arena show that if the thousand pirates detained were all now dead or rotting in prison the activity would have all now ceased but such is not our world today and as a result the security forces have their arms tied behind their backs — and Somali piracy is therefore a modern

growth industry involving many parties on both sides and which has the financial legs to keep running for a considerable time yet.

Meanwhile, when it comes to Taliban or al-Qaeda the Americans have unilaterally decided 'if you live by the sword then you should expect to die by the sword (or drone)'.

Interesting to see the contrasting philosophies operating not all that far apart from each other. ■

Sean Gay  
Antrak Group

## The advance of women

From Karen Blackford

SIR, You are correct. We should not have to write, or read, articles about the "first woman" doing anything ('Women steer course through uncharted waters', Lloyd's List, August 1).

However, everything has to start somewhere. Kudos to these young women for paving the way for the future, commonplace ones that nobody notices.

Thanks for the article. ■

Karen Blackford  
Atlantic Container Line