

## In This Issue

- [Stuck in a Strike?](#)
- [Making the World Go Around](#)
- [It Seems Slow Steaming is Here to Stay...](#)
- [Canal News](#)
- [Language of the British Merchant Seaman](#)
- [Staff Changes in Vero Marine](#)
- [Ship Routing Reliability](#)
- [Personal Watercraft](#)

# The Navigator

April 2015

## Stuck in a Strike?

Whilst the US West Coast port strikes are over (at the time of writing), there remains a period of clearing backlogs. Often, as in this case, it can take months.

What insurance cover is available for cargo when it's caught up in a port strike?

The Institute Strikes Clauses 1/1/09 give cover for loss of or damage to insured cargo caused by strikers, as well as extending cover to locked-out workmen, or persons taking part in labour disturbances, or riots or civil commotions. The Strikes Clauses also give valuable cover for loss caused by an act of terrorism. Strikes cover in its present form developed some 100 years ago, from 1912, when Strikes cover was written separately to Cargo cover. From that time, Strikes has been treated as a distinct risk, although the same underwriters (as they do today) offer both covers. Prior to containerisation, cargo was more vulnerable on wharves and in warehouses, and access to port areas holding cargo was less restricted.



**US West Coast Port Strike**  
<http://thinkcomputers.org>

Whilst the list of perpetrators may be wide in the Strikes Clauses, cover is limited to actual damage caused directly by those people listed. For example, a loss caused by fire deliberately started by strikers would be covered by the Strikes Clauses, but a loss caused by a fire which resulted from a withdrawal of labour would not. Another example: in the earlier days before smoke and fire alarms, if firewatchers and watchmen, who would normally have detected the fire in its early stages, had withdrawn their labour, loss by fire would be covered under the Cargo Clauses, and not under the Strikes Clauses. Delays to cargo and 'frustrations of voyages and adventure' are specifically not covered by the Strikes Clauses. Fruit, for example, that ripens at a port during a strike, is not covered by standard clauses – but cover is available for this.

If cargo is en route to a strikebound port, and the shipping company exercises its rights under its terms of carriage (as stated in the bills of lading) to on-carry the cargo to an alternative port, then there may be cover for additional forwarding costs to its intended destination. Talk to your Vero Marine underwriter. [\[Top\]](#)

## Making the World Go Around

Shipping commentators Clarksons provide these statistics for 2015:

- World seaborne trade in 2015 is projected to represent 1.5 tonnes of cargo for each person on the planet, up from 1.0t in 2000. As economic growth continues in developing economies, populations typically contribute more to world seaborne trade on a per capita basis, and as they 'catch up' with western world levels. Even if the ratio remains unchanged, the current projection of 8.4 billion people on the planet by 2030 would mean an extra 1.7 billion tonnes of seaborne trade.
- The growth in world seaborne trade has clocked in on average at 1.13 times more than the growth in the world economy. As globalisation has taken hold, international trade has typically grown more quickly than world economic output. Seaborne container trade, for example, has enabled the connection of distant producers and consumers, and also the component trade enabling multi-location manufacture connected by low unit cost shipping. The discoveries of natural resources in locations other than economic growth centres also helps. In 2015, the world economy is expected to grow by some 3.5% but world seaborne trade is expected to grow more quickly, by 4.1%.
- At a rough estimate, seaborne trade constitutes over 80% of the global total volume by all modes

## It Seems Slow Steaming is Here to Stay...

In March 2015, in its 2014 financial report, Maersk announced that slow steaming will continue. Their stated reason is that they want to be as energy-efficient as possible, even though fuel oil prices have fallen. Slow steaming has the benefit that more ships can be employed on the same routes. Carbon and sulphur emissions are reduced, which helps New Zealand's reputation as an exporter when the Food Miles argument is raised by local producers trying to protect their domestic market.

There are issues with slow steaming though. The major issue for New Zealand exporters of chilled product is the increased transit times and reduced times for deployment in destination markets. All shipping companies are introducing larger container ships to reduce their per-unit costs, but port congestion has increased. 'Ship & Bunker News' in March 2015 reports that 'on an Asia-Europe round trip the average time spent in port for one vessel is now 18 days, up from 12 days in 2007'.

Whilst more modern ships have been designed with slow steaming speeds in mind, older vessels have been retro-fitted with software that optimises the ship's performance by altering trim and draft during a voyage. A ship may leave port with a safe stowage plan, but owners or charterers will often issue instructions to make adjustments to save fuel. One firm of international marine surveyors, BMT Surveys, warns that at sea this can alter the dynamic forces to containers and lashings. In March 2015, they pointed out the ISO standards governing the build strength of containers (ISO 1496) have no inbuilt safety margin, and that such changes to trim and draft can decrease ship stability and exceed lashing safe working loads. In poor weather, 'if the ship was to encounter its "design motions criteria", damage to the container stacks and cargo could occur'. Others have pointed to increased wear and tear, engine damage caused by not changing over lubricants, and damage to anti-fouling coatings, all causing breakdowns and delays to cargo.

Larger, modern container ships have had to be designed with shallow drafts in mind, as ports struggle to gain consents for dredging deeper channels and berths. This exacerbates stresses on ships' hulls at sea.

New Zealand's Meat Industry Association, in their 2014 Annual Report, cites a study by Rotterdam University that found, whilst slow steaming provided savings for shipping lines on routes between Asia and Europe, and Asia and North America, the savings were outweighed by the additional costs that fell on cargo owners. 'This meant the costs of slow steaming outweighed the benefits to the overall supply chain.'

[\[Top\]](#)

## Canal News

Suez – Egypt's military government has speeded up development of the expanded canal, allowing two-way traffic. The new canal will open in 2015. The original Suez Canal, which opened in 1869, took 10 years to build, but Egypt's President has decreed that the canal expansion – some 72kms of channel and by-passes - should take only one. The canal, which links the Mediterranean and the Red Sea, is the fastest route between Europe and Asia. Most of New Zealand's cargo destined for Europe passes through Suez. The canal handles 7% of global sea-borne trade.

Panama – dry excavations for a third lane and new larger locks began in 2007. When completed, possibly in March 2016, larger vessels carrying 13,000 TEU (up from 5,000) will be able to transit from the Pacific to the Atlantic. The increase in ship size will have a direct effect on the size of vessels sailing from New Zealand and Australia to the USA, and on New Zealand ports as they will need to expand their facilities. Our shipping routes may change, as larger vessels from Asia will be able to access the US East Coast through the Panama Canal, rather than cargo being discharged at Los Angeles and Long Beach. The Panama Canal handles some 5% of global shipping.

Nicaragua – there are plans, led by a Chinese consortium, to build a 286 km canal across Nicaragua – three times as long and twice as deep as its rival in Panama. The Nicaraguan government hopes for prosperity: it is the second poorest country in the western hemisphere. Only preparatory work has commenced, but if the project goes ahead and is completed by its scheduled date in 2020, the canal will link the Pacific Ocean to deep-water Caribbean ports and the Atlantic, allowing even bulk carriers and tankers up to 400,000 tons to transit.

[\[Top\]](#)



A "Burma Road" on a containership

## Language of the British Merchant Seaman

Another sea-faring expression from the book 'All Hands and the Cook' by Captain Barry Thompson:

### Burma Road

**A long, sometimes poorly lit, main working alleyway. In passenger ships this alleyway was usually a little above the waterline, running much of the length of the ship and adjacent to many of the essential work areas, e.g. butcher's shop, baker's shop, storerooms etc. which led off it.**

'All Hands and the Cook - The Customs and Language of the British Merchant Seaman 1875-1975' by Captain Barry Thompson is available for purchase by contacting shipmaster@ihug.co.nz.

## Staff Changes in Vero Marine

Over recent months, Vero Marine have said goodbye to Hayden Blackford, who worked in the Sales Support team. We wish Hayden well in the future, leaving us to join the Freight Forwarding industry. We also welcome Chanelle Wishart to the Sales Support team. Chanelle joins us from a sales background in the Retail and Hospitality Industry and enjoys a typical New Zealand lifestyle of recreational tramping and boating.

There has also been a switch in roles of existing staff members. Cameron Ross has elected to take up the challenge of a two year secondment to the Vero Marine claims team. This allows Cameron to gain a valuable insight into another area of the marine insurance business. Cameron joins existing team members Kerry, Laura, Stuart and Gayatri – all based in the Auckland office, working alongside the rest of the Vero Marine team. We also welcome back Andy Timms from his secondment to Vero Tauranga. Andy is back working within the Auckland Underwriting team, having spent a brief period within the Vero Marine claims team.

Please refer to the following link for a full and up-to-date list of all Vero Marine team members:  
[http://www.veromarine.co.nz/VM\\_Staff\\_Contact\\_Details.pdf](http://www.veromarine.co.nz/VM_Staff_Contact_Details.pdf)

[\[Top\]](#)

## Ship Routing Reliability

Almost all of NZ's perishable cargo leaves our shores in container ships that operate on a scheduled route. (One major exception is Zespri, which charters ships with refrigerated holds to carry kiwifruit on pallets). Cargo for destinations beyond Australia is often transhipped on to larger vessels that move on an East-West circular route between Europe and north Asia. Shipping companies often pool resources in 'conferences'. Whilst these 'conferences' are often subject to executive scrutiny – by the USA, the EU and more recently, China – they are allowed to exist even though the effect is to minimise competition, as these agreements provide an infrastructure that would otherwise be too difficult for an individual carrier to provide. The largest and most recent conference is the 2M vessel-sharing alliance, comprising MSC and Maersk.



**World Shipping Routes**  
<http://lighthouse.nu>

A recent study by Drewry Maritime Research into the on-time reliability of these schedules found that only some 55% of ships in the three key East-West trades arrived within +/- 24 hours from the advertised ETA, and this was up by 6.6 percentage points against January 2015's historical low of 49%. The average deviation from the ETA to actual arrival extended from 1.9 days in January to 2.1 days. While a higher ratio of ships were hitting their schedules, for those that missed the berthing window the length of delay had widened.

In 2014, heavy winter storms on the US East Coast and in the North Atlantic ocean, and congestion of the port hubs in northern Europe, the US and Asia were the principal culprits. Shipping analysts SeaIntel found that average reliability in 2014,

across the top 20 carriers, declined by 7.6 points to 72.2%. In 2015, the trans-Pacific trades continue to suffer despite the resolution of the US West Coast labour contract dispute, which had been held largely responsible for the longer overall deviation. Of the 743 trans-Pacific ships calling at either Los Angeles or Long Beach during February 2015 only 8% arrived as planned, with the average deviation a huge 10.7 days. In January 2015 the same figures were 17% and 4.2 days respectively.

Whilst shipping commentators expect some improvements in reliability over 2015 from some historic lows, we've been seeing more cargo insurance claims with route reliability as the probable root cause.

[\[Top\]](#)

## Personal Watercraft

Personal watercraft (PWC), i.e. a jet-ski, now have to be registered in the Northland, Auckland and Waikato regions. Auckland Council cites two reasons for registration: anti-theft, and "to make PWC owners accountable". If the PWC is capable of speeds over 10 knots, its operator must be over 15 years old, lifejackets or Personal Floatation Devices (PFDs) must be worn and speed and restricted areas must be observed. Changes of ownership must be advised to Harbourmasters within 30 days.

Vero provides cover for PWCs under our Vero Marine Pleasurecraft policy. Our cover is wide in scope but there are a few specific restrictions for PWCs: for example, theft whilst not on its trailer is covered only if "its ignition key or similar device has been decoupled". Talk to your Vero Marine underwriter for more information.

[\[Top\]](#)