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President of The Baltic & International Maritime Council.

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A Past President of the Anchorites.

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Member of the Baltic Exchange.

Member of the 1996 British Olympic Appeal Council

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Degree in Business Studies: Honorary Doctor of Science Degree from University of Plymouth 1997. Awarded a CBE in the New Year Honours List December 1992.

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SHIPPING : THE NEW GENERATION

We should go back to first principles to analyse what is happening in the shipping markets and where the future lies.

Shipping really started before trade. Nations or individuals expressed themselves through military dominance. It started off as an adventure – the primary purpose was not one of trade. It moved on to eventually become a servant of trade. The cost of shipping per tonne mile has come down substantially over this period. Shipping would have been a substantial cost in the early years but is now, on the whole, derived demand, there is very little movement which now actually depends on the cost of running ships in themselves. Competition has brought the costs down substantially. I have not put a timetable or qualitative analysis on this appraisal because its timescale will have varied across the World. The conclusion though is that shipping is now a highly competitive market and more and more efficiency is required in order for shipping companies to either survive or go under.

The factors that now affect the shipping industry and will be the dominating factors for the future are that the demand for shipping services will lead to a long term growth in Shipping Trade both in tonnage and tonne-mileage. This is not a staggering prediction because all the fundamentals are there to see substantial growth. There has been, despite small periods of recession, a long term increase in world wealth (GNP) and also in population growth. There is no reason to think that this will not continue.

The facts though are that there will continue to be a concentration of growth in rich (largely OECD) countries. Most developing nations have such a small base to start from that they will have very little influence on the whole of the market. Some nations may cross the barrier but as rich nations continue to grow on a higher base, it is quite possible the inequalities will get larger.

All the above analyses assumes that there is no technological development which will commercially replace shipping as the main conveyor of international trade.

EFFECT ON THE SHIPPING INDUSTRY

If the above analysis is correct we should then look at what that means to the Maritime Industry.

Predictions are:-

1. Continuing increase in size of fleet

As world trade grows the shipping capacity to meet that demand must grow and, therefore, the world fleet will continue to grow. The increase could be in numbers or in size of vessels. This will very much depend on increasing efficiency, geographical distribution, physical restrictions and other factors on which I will elaborate further.

2. Continuing increase in specialisation and diversity

As world trade grows some vessels of new types move more into certain trade. There has been a growth in specialist ships over the last fifty years and there is no reason to think this will not continue. Ships that are built for the sole use of certain types of customer. It is the trade that will decide the future – in a competitive market the pressures will be on owners to give traders what they want, even though I have described shipping as low cost derived demand and distribution costs are comparatively low, the scope for increasing efficiency and margins gained by a trader can give him the competition advantage over this competitor.

The above has been an overall analysis in the way that I expect shipping to continue to flourish and grow. The overall environment for shipping is good – it is a long term growth business. Whether shipping increases at faster or slower rates will depend much more on the efficiency of local economies than the ships themselves. There can, of course, be ways where specialist ships may be able to influence a market but this will be relatively small and competitive, there can be no more competitive market than World Shipping, it is almost the nearest business I know to perfect competition. Lots of similar ships owned by hundreds of competitors, good knowledge of markets.

The customer is well served by the shipping industry pure business and economics makes this a good business for the trader.

This background makes it a tough business for the shipowner for he has to continually to look how he is going to increase his efficiency in order to remain competitive. The owner is faced with enormous investment decisions. Ships by their very nature will have to last for many years, they are daily meeting a tough environment and, hence, have to be built to very high standards. There is no choice. So whatever an owner builds has to be competitive over a long period. Who can predict the future in such detail? This is the great risk of shipowning. Large capital investment with a return expected over a long period. There are, of course, times when an Owner can hit a good bulk or tanker market but nobody is going to get this right all the time. Risk reduction is a great problem for shipowners, but it is certainly not a business for the faint hearted. More owners have usually gone out of business with over-investment than under-investment.

The other major problem the owner has got to face is personnel. The BIMCO/ISF study has shown that there is already a shortage of Officers and this is going to get worse. With the ships that are now on the drawing board becoming more sophisticated it is not just the numbers that are important. The average age of Officer's is high and there is a correlation between modern IT and age in the use of new systems. We need well motivated, well trained young men to come into the industry to man these highly sophisticated ships. We are going to have to think of new ways of attracting young people into the industry even if, for many, it will be a short term career. There is no doubt in my mind that the cost of employing Officers, one way or another, is going to increase over the years. No owner though can allow his ship not to be manned by high calibre people.

These days of 'Blame culture' we always try to pass the responsibility on to someone else. There is no doubt in my mind that it is the owner who is really responsible, he chooses his flag, his classification society, his crew and all other basic decisions.

There will be a continuous drive to increase efficiency and productivity. There will be new hull designs, new cargo handling methods. The area in which I am uncertain

is change in technology. Who knows what fundamental changes there will be? There is one thing for certain and that is as World Trade grows there will be increasing demand for shipping services. Real costs will probably continue to go down and only efficient operations at the forefront of technology will survive.

The situation today is one that has seen enormous change over the years. Shipping has always been a global business. Media and public perception are instant. Leaders in the shipping industry will have to have broader skills than in the past – because the responsibility on all these issues rests with the shipowner. Oil spillages, for instance, are not acceptable in this modern world. Leadership will be required to run business in a way that is acceptable both to charterers and public opinion. Charterers have an enormous part to play in increasing the quality of shipping. ‘He who pays has real power!’ IMO needs support if flag states and ship safety will continue to be variable over the world as a whole due to different expectations in various regions. The ship management code, port state control and the classification societies all have their part to play in increasing standards. I believe that in such a large diverse industry that we are in today it will be a combination of the above which will increase standards over a period. There is no simple solution but I believe it is the world’s leading charterers who are in the strongest position to influence events.

The important point, as far as the responsible shipping industry is concerned, is to encourage the adoption and full implementation of IMO convention as rules. We do not want more layers of bureaucracy we want the standards brought up to a minimum and sustained in the long run.

The growth of Asia in international shipping over the last few years has been outstanding. This is a reflection of the shifting importance of economies. There is no reason to think that Asia’s share of the world fleet will continue to grow. There is also an increasing shift of world manning to Asia. There is enormous scope for employment at sea and the opportunities for Asian countries to take the lion’s share of the expected increase in employment is there for the taking.

There will always be issues which the shipping industry has to face and many of these involve Governments on an international basis. The issues of free trade, breaking

down barriers and globalisation are all areas which will benefit the world and hence the shipping industry. We cannot trade though without Governments taking their share of responsibility. I will outline during the conference those issues facing the shipping world today and in to the future.

F. M. Everard

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