

Chapter 2

Shipping as a Vital Service to World Trade

The Shipowning Business

A 100 years or more ago many shipowners started as ships' captains who had bought their own vessels and who sailed with them. Such men were complete masters of every aspect of the "shipowning" business; most were also traders, shipping and trade, then as now, going hand in hand. Later they remained ashore, employing their own captains as their fleets grew. Yet they retained full control of their businesses as indeed do some true shipowners today, notably in Greece and Norway, where they form a particular élite in their own countries.

During the second half of the twentieth century the true shipowner has become increasingly rare although by no means extinct, despite the fact that in the traditional shipping nations many of the famous shipping names have largely disappeared. Liner shipping especially, even before the change to containerisation, was increasingly run by the executives of shipping lines who, although afforded the title "shipowner" in industry parlance, certainly did not "own" any ship themselves although they may have been shareholders in the company. Thus shipowning has become increasingly, although not entirely, depersonalised.

With this change has come a change in approach. The true shipowner 50 years ago was in shipping because his father, his grandfather and often his great-grandfather, had been in it. Shipping was in his blood. He heard it talked about from his early childhood because shipping people tend to find it all-absorbing. In due time he joined his father and began to "learn the ropes"—itself a shipping expression from the days of sail—on board, in the office, at home and abroad. There was no question but that he would stay in the business and hand it on in due time to his own family. This was the pattern of the "true" shipowning family of which there were many in Western Europe, Scandinavia, Greece and elsewhere. Naturally there were many others who became shipowners, or chief executives, who were every bit as good, sometimes better than those born to it. The point is that shipowning was not so much a business as a way of life and, as history shows, frequently a very profitable one which carried with it much prestige, but equally much risk. To the

new shipowning families and companies, particularly those in the Far East, the enterprise is very much a business, to make money but also to show the national flag.

But, while the romance of shipping remains, the always risky business of owning, operating and managing ships is today dominated by the balance sheet, the bottom line and quality control systems. These are perceived to be novel but in reality the true shipowner has always been vitally concerned with quality. Many shipping companies, let alone shipowners themselves, no longer own their ships. These have been financed by the banks or in other ways; or may very well have been repossessed because of defaults in repayment of loans. True ownership is thus often elsewhere than is assumed.

Old established companies in the traditional maritime nations have also increasingly turned to ship management and running the fleets of others, either at home or abroad, as their sole “shipping” activity. Ship management itself has become a new industry within the industry. Others have diversified so as to become not just shipping companies but companies involved in other aspects of transport, warehousing and the like. And some have diversified to such an extent that the shipping, or other aspects of the transport of goods (“transportation” to Americans and, today, to many others) is so small as to form only a peripheral part of their total operation. Others have, as the result of a conscious decision or through force of circumstances, simply left shipping entirely.

Shipowning, always an international business, is played on the liner side, very much with international partners and in fully international consortia or groups. But whatever the sector, other than home trades and generally the ferries, it is international pressures whether from government edict, famine, drought, failure of crops, insurrection—one could go on—which dominate the picture, coupled with a feel for what the market is doing. A fascinating, complex, intriguing, but above all, a risky business where fortunes have been, and will again be made. Equally many fortunes have been lost. It is not for the faint-hearted.

Vital to World Trade

A ship, whatever its type, size or flag, is nothing by itself; its purpose is solely to transport cargoes, be they manufactured goods in containers, bulk cargoes wet or dry in huge tankers and bulk carriers, specialised carriers for cars, livestock, cement, timber and other special cargoes, or passengers in cruise ships or ferries whether for pleasure or just to travel elsewhere. Equally world trade without shipping would quickly come to a halt. Lights would go out through power stations having no coal or oil; breakfast tables would be bereft of cereals; cars would be unavailable as exports or imports because of lack of iron ore to make steel and spares would be in short supply. As already stated, more than 80 % of world trade moves in whole or in part by sea.

Yet to much of the general public, shipping is seen only in the light of tragic incidents of whatever nature—lost lives, oiled seabirds or ruined beaches. To others it is seen as unnecessary since today “everything goes by air”. Those who think this have not paused to consider the immense tonnages of oil, primary commodities and manufactured goods which are carried by sea day in day out, year in year out, over very long distances—safely, cheaply, efficiently without fuss or incident, in an environmentally friendly manner. Aircraft carry only a fraction of world trade. Casualties understandably catch the attention of the media and are often horrifying, certainly dramatic. But they are the exception, not the norm.

The shipping industry may in part be responsible for this and today it is trying by various means to achieve a better understanding of its importance. Perhaps for too long it has been content to be a silent service quietly getting on with its business. But there are other reasons. Ships nowadays are rarely seen in cities at all let alone in capital cities, apart from some exceptions like Hong Kong, Piraeus, Singapore, San Francisco, Cape Town and Sydney. Certainly ships are rarely seen today at the piers in down town New York and almost never in the Pool of London whereas 60 years ago, and even more so 100 years ago, both were scenes of tremendous shipping activity. Today ships invariably load and discharge at isolated terminals, sometimes miles offshore and certainly far from centres of population.

There was also a time when many young people dreamed of “going to sea”, partly to travel, partly for adventure and often simply to earn some money and to have a job. Today seafaring has lost much of that appeal. Jet travel, even to the most exotic far away places is easy and for the package tourist comparatively cheap. The hunger of unemployment today is partly assuaged by social security benefits in the industrialised nations. Overall, the disadvantages of seafaring are given more prominence than the advantages. There is no getting away from the fact that a seafaring life inevitably means long periods away from home. This is especially difficult for those with a family. Yet conditions today are quite different from those endured by seafarers in earlier times. There are still adventures to experience and new places to be seen—many outside package itineraries. Responsibility is achieved early, promotion prospects are much better than previously and there are careers ashore in later life for the right people with seagoing experience. Today’s seafarer also has control of very expensive ships and high-technology equipment demanding special skills from officers and crew.

The reality of shipping today is that:

- It is the prime method of carrying commodities, especially bulk commodities, over huge distances where all, or some element of sea passage is necessary.
- It is the most environmentally friendly means of transport.
- It is essentially safe: losses, groundings and collisions are the exception.
- It is the cheapest and most cost-effective means of transport for other than high-value, low-density cargoes.

Maritime Constituency

Shipping also provides employment and business opportunities for a wide range of people and shipowners require specialist technical and professional advice on a number of issues. Shipping is more than just ships. It is a joint venture among those directly involved as well as the involvement of a host of others essential for its operation. These include:

- Associations, either national or international, of shipowners devoted to their promotion and protection and trade unions concerned with the same on behalf of seafarers.
- Container building, leasing and operation.
- Financial services provided by a variety of banks and finance houses specialising in ship finance, mortgages, etc.
- Insurance provided by Lloyd's of London, insurance companies world wide and third party insurance provided by specialist Protection and Indemnity "Clubs".
- Legal services provided by lawyers specialising in various aspects of shipping, charterparties, bills of lading and litigation before Admiralty (Maritime) and Commercial Courts together with other methods of settling disputes through arbitration or conciliation.
- Navy/National Defence arrangements or associations.
- Operation and maintenance of ports, harbours and canals and related aspects, tugs, dredging, terminal equipment and maintenance.
- Provision of charts, both conventional and electronic, together with seafarers' almanacs, tables and so on.
- Salvage and emergency operations.
- Shipbreaking/demolition.
- Shipbroking on behalf of shipowners or charterers or engaged in the sale or purchase of ships.
- Shipbuilders/repairers responsible for the original construction and for repair and maintenance.
- Marine equipment manufacturers, who are responsible for up to 70 % of the cost of a ship.
- Social, charitable and other services provided by seafarers' welfare organisations.
- Supply services for victuals, stores, bunkers, waste disposal, recovery of used oil and all other ship's requirements.
- Technical and professional training for those entering, or thinking of entering the shipping industry or one of its related branches.
- Technical services provided by classification societies, naval architects, marine engineers and other technically qualified personnel.
- World wide communications and navigational networks through satellites and the provision of weather forecasting services.

- Whilst none of the above have—purposely—been put in any order of importance each are dependent either in whole or in part on ships and the shipping industry. Without shipping they would have no role.

Centres of Shipping

Although many ports and capitals world wide have significant elements of shipping activity, London has for years been regarded as the centre of the maritime world because it provides all the necessary services on a “one stop” basis. This goes back into history but especially to the seventeenth and eighteenth centuries when traders went to the City to buy their cargoes, to “rent” (charter) or purchase their ship, to insure the cargo and the ship, to set up a trading company and to find a book keeper. It also stems from the fact that, at the beginning of twentieth century, well over 50 % of the world fleet sailed under the Red Ensign. But there are today other factors:

- The International Maritime Organization (IMO) is located there. It is the only United Nations body in the United Kingdom.
- London is the home for many of the international shipping associations and organisations.
- London is the preferred centre for large expatriate shipping communities who find the welcoming attitude and tax regime better than elsewhere.
- The City contains a wealth of shipping expertise of all sorts available to the world maritime community—shipbrokers, Lloyd’s, company insurers, consultants, P&I Clubs, average adjusters, lawyers, arbitrators, financiers, shipping accountants, etc.
- Institutions for shipping and transport related education, full or part-time.

The reduced size today of the British merchant marine, even after its remarkable revival over the last decade, raises the inevitable question as to how long the City of London can maintain its prominence in maritime business services over other shipping centres such as Oslo, Piraeus, Hamburg, Singapore, Hong Kong, Shanghai, Tokyo or New York, some of which have been aggressively promoting their offerings in recent years.

A less significant British merchant marine is not necessarily fatal in either the short or the long term, although the larger the fleet the easier it is for London to maintain its position. What would be disastrous would be if those many in the City of London, or the UK for that matter, with maritime or maritime-related skills which can only be acquired through seagoing experience or working in a shipping company, were to fail to respond to the romance of a great industry—a world wide industry—and were not to go out to that world with their expertise, flair and entrepreneurial skills. Although the City provides “one stop” services, those involved cannot afford just to sit in their offices. They must, can and do, travel frequently and extensively. The heritage of maritime London has been handed

down to today's practitioners. It is in their hands. They must maintain and continue to improve their skills and service.

There is another factor. Too often is the City of London, with all its traditions, spoken of as "a leading" financial centre. This is far too narrow. The City from its early days has also been a great commercial, insurance, business and trading centre. The position of the City of London in the resolution of disputes is also important given the presence of the Admiralty and Commercial Courts and the many who practise in the area of maritime arbitration and conciliation.

It would take a great deal to dislodge London's pre-eminence in the maritime world. It will undoubtedly do its utmost to maintain that position even in this day of instant communications, based not only on the above factors but also the significant contribution it makes to the invisible earnings of the City and the UK economy.