

What will save the shipping industry? Eight industry thought leaders weigh in

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When will it end? The global maritime industry is suffering arguably the worst downturn ever.

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Global shipping markets are suffering some of the worst conditions ever seen. We asked several thought leaders in the shipping and maritime industries to give us their thoughts on what might help companies adjust in these difficult economic times. Here is their advice to shipping industry decision-makers on how to forge ahead



Marthe Lamp Sandvik
Head of tanker analysis research
Lorentzen & Stemoco AS
@lampmarthe

“The overcapacity on the supply side is a prevailing problem in most shipping markets at the moment. The past few years have seen low interest rates help facilitate debt-driven expansion, with overcapacity following not only shipping, but also in a number of commodities markets such as iron ore and oil as a result. Increased scrapping activity and ordering constraint will help to clear this up on the shipping side though, in time.

“On the bright side, in Norway we see a number of shipowners investing in developing digital solutions in this trough, which is not only impressive, but also important to cut costs and increase competitiveness with new future solutions. Digitalisation in the shipping industry has been slow to take hold, but we still have the chance to create our own solutions and shape digitalisation in our industry instead of adapting to what could be less optimal solutions originating from outside our industry.

“But it takes visionary business leaders who are willing to make an investment in a poor market, into something with yet unknown returns and profitability potential. But this development is moving fast, and those who choose to ignore it completely are also likely to be latecomers to new business models and ways of increasing company profitability.”



Peter Sand
Chief shipping analyst
BIMCO
@BIMCO_PS

“Fortunately we have the destiny in our own hands. Bringing back profitability to dry bulk shipowners and operators requires first and foremost industrywide actions. The work has been cut out for us (in BIMCO's roadmap to recovery), now the excess capacity must go. A scenario with zero net fleet growth can be achieved by today's leaders of the industry as it has been done by past spearheads of it.

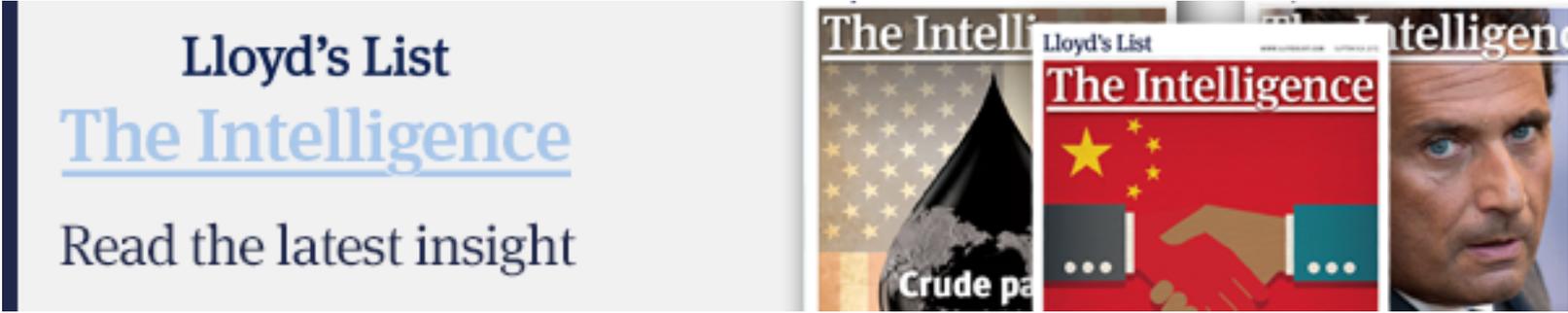
“No quick fixes are around, the medicine is known to all, it's bitter, but you need to take it to recover.”



Brent Bruun
Chief operating officer
KVH Industries
@KVH

“The shipping industry can move forward toward a smarter business approach by taking advantage of enhanced connectivity and content delivery services to reduce costs. These services include training programmes, maintenance information, or simply moving large amounts of data back and forth in a timely way. With enhanced, affordable connectivity, owners and operators can use data analytics to improve their operational efficiency.

“For example, the cost savings in running predictive maintenance programmes and monitoring the engine and mechanical systems on the vessel can be sizable in the ability to prevent things from failing in the first place. Recruitment costs can also be reduced by providing quality news, sports and entertainment content on board, as an enhanced crew welfare benefit to keep top-calibre crew and officers.”



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Janet Porter
Editor-in-chief
containers, Lloyd's List
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“Container lines are suffering from some of the worst conditions the industry has ever endured, largely because of the delivery of a new generation of ultra large vessels at a time when trade growth is very weak. The huge capacity supply and demand imbalances have pushed freight rates to record lows and forced one global carrier into bankruptcy.

“An unprecedented round of consolidation is now under way that will result in at least four fewer players by the end of 2016, while two new global alliances are due to inaugurate services in April 2017. But far more ships will need to be scrapped or laid up in order to lift prices and improve financial results. However, with many more newbuildings in the pipeline, the process of restoring profitability is likely to take several years.”

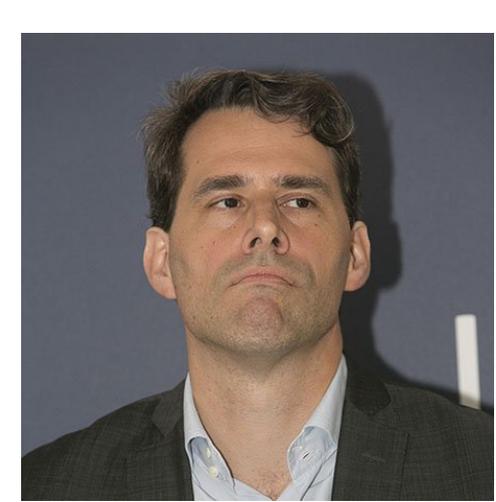


Brian D W Kirk
Chief executive and co-founder
Hive Maritime
@bdwkirk

“The macroeconomics of the shipping industry will not change overnight. But, when the dust settles, the winners will be the companies that have begun to use modern technology and data-driven modelling to create a strong operations department that drives consistent margins.

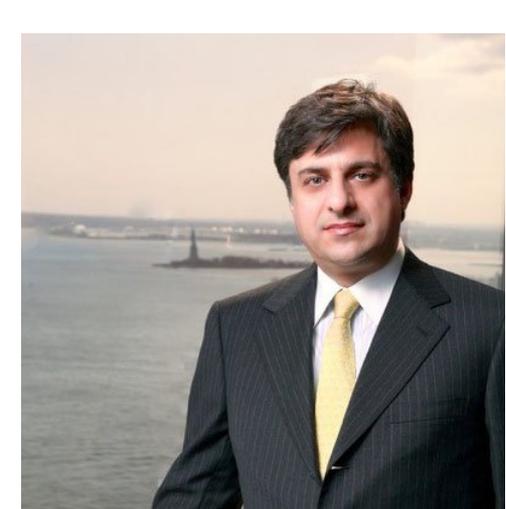
“There are dozens of practical ways in which Big Data analytics can create immediate competitive advantages, but industry executives have been sceptical about, and slow to adopt, technology

solutions that other industries are already embracing, and which could be the difference between profitability and bankruptcy. Maritime is still in the dark ages of computing and needs to embrace the latest, non-traditional solutions to survive.”



Olaf Merk
Shipping Today, and
Organisation for Economic Co-operation and Development
@o_merk

“What can save shipping is a really strong ambition to provide more value to clients. Shipping is surprisingly self-oriented: too much energy is lost on who is the biggest, the strongest and the cheapest. There is little effort to understand what customers actually want and what shipping could do to make supply chains as smooth and frictionless as possible. The shipping companies with the happiest clients will be saved.”



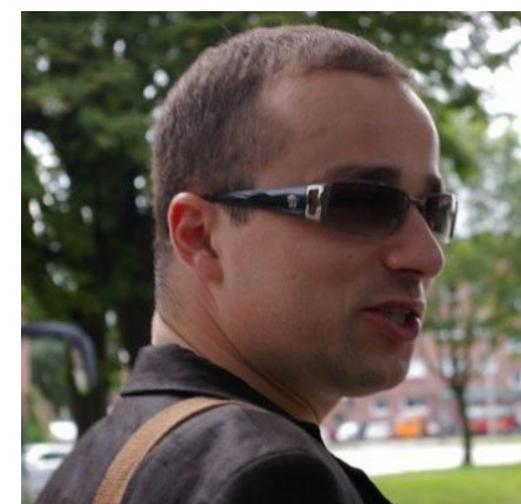
Basil Karatzas
Chief executive
Karatzas Marine Advisors
@BasilKaratzas

“When one sees state-favoured major shipping companies like Hanjin Shipping defaulting, the conclusion cannot be any clearer that the industry is in a hard spot, and this conclusion is true for all market segments: dry bulk, tankers, containership and offshore. Further, what’s more concerning is that the market is at extreme points (think variance and volatility in statistics) and at such extreme points that financial modelling and correlations do not behave in the same predictable

manner as when the market is under the central part of the bell curve.

“There have been concerns that the shipping market has been facing a structural change, in which case investing in shipping will be detrimental to one’s financial success. However, most market observers believe that the market is just in a seasonal shift, and patience and a disciplined approach (no additional newbuildings and scrapping) will eventually bring the market to a balanced state. And then there are the optimists who believe that tonnage demand and trade will surprise to the upside and will drive the market much higher than current expectations.

“One thing is for sure, shipping remains a high-volatility industry with plenty of opportunities for money to be made. Unfortunately, there are even more opportunities for money to be lost in the short term by following conventional thinking.”



Dimitris Morochartzis
Trade consultant
Container Trades Statistics
@D_Morochartzis

“The One Belt, One Road Chinese initiative presents a huge opportunity to reshape global geopolitics and kick-start a renewed process of greater regional and economic collaboration. At its heart, it envisages a comprehensive network of roads, railways, air and sea trade links that has the potential to provide the greatest intercontinental co-operation between China and Europe, and encourage the development of new markets in Central Asia and East Africa.

“If the concept is delivered successfully, it will be a game changer for the shipping industry, as it has the potential to facilitate significantly economic and trade growth across Asia, Europe and Africa by connecting the Pacific and Indian oceans with the Mediterranean and by leading to a more inclusive east-west integration by closing gaps between coastal and inland areas. The countries along the land and sea routes on the Silk Road account for 63% of the world’s population and 29% of global gross domestic product, and it has been estimated that over the coming decade OBOR will create \$2.5trn in trade among 65 countries, therefore the business opportunities for the shipping industry are enormous.”

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