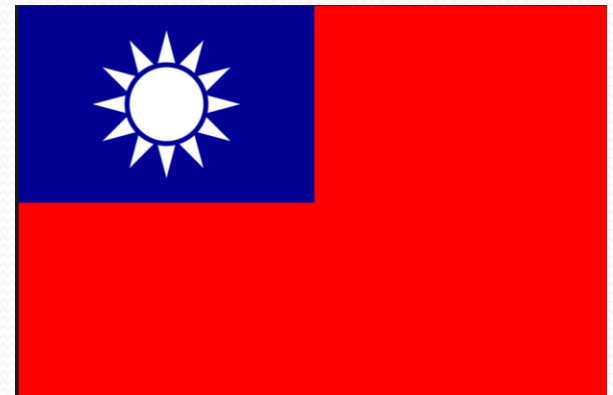




**WELCOME  
TO  
TAIWAN  
SPECTEC  
USER CONFERENCE**





# Who am I

- **Giampiero Soncini**
  - **Italian Navy Officer** – 14 years
  - **NATO Ship Manager** – 13 years
  - **SpecTec** (since 1998):
    - MD Italian office
    - VP South Europe
    - VP sales worldwide
    - **CEO since 5 May 2005**





# My Taiwan Connection

- TN DA QUAN



- RV ALLIANCE





# With me today

- **Ben Fan: VP APAC East**
- **Harbor Ouyang: Taiwan Area Manager**
- **Lynn Wang: Professional Services Consultant**
- **Cecilia Lindstrand: MD Mimic**
- **Danny Lam: ShipServ Sales Director**





**WE LIVE IN  
DIFFICULT  
TIMES FOR  
SHIPPING**





# THE CT SITUATION



# Situation in 2014



- Over the course of 2014 charter rates have moved upwards, modest but consistently.
- **2015, The feeling of spring is all around** and very much noticeable in the Container Market.
- Charter activities and charter rates have increased since mid December and in particular the tonnage of 2.500-3.500 TEU has seen the biggest rate increases (sky rocketing, star performer) and 1.050- 1.300 TEU as well.
- **A 26.1 % jump in the Index since late December.**

## Markets

### Howe Robinson Container Index

● HRC:IND open:530 low:530 high:713 close:713

713 (27.18) ▲ 15 Apr 2015

Oct 22, 2014 - Apr 15, 2015



Source Lloyds List:





# IMPACT ON CT MARKET

- Macro Economics **SHIPPING DERIVES ITS DEMANDS FROM WORLD GDP GROWTH RATES AND TRADE, ANY INCREASE WOULD THEREFOR BE BENEFICIAL FOR OUR BUSINESS.**  
GROWTH 2015 + 2,6%, 2016 + 2,9 %
- The boost from cheap oil, the drop from EURO 80 to around 55 per barrel Brent crude provides a stimulus of roughly 0,75% GDP
- **Global** : Cheap oil helps despite risk of deepening Russian crisis.
- **US**: Little austerity, monetary policy gains traction!! 3,0-3,1% growth. The Fed will not spoil the recovery, private sector goes from strength to strength.



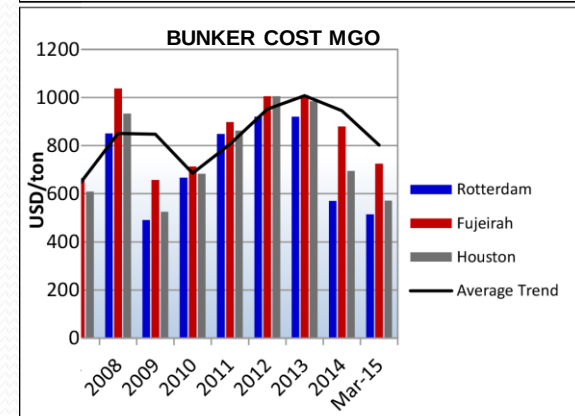
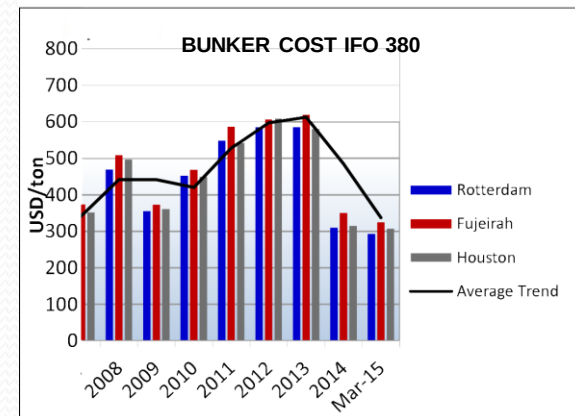
Source: HHM/HASENPUSCH





# IMPACTS ON CT MARKET

- **Oil/Bunker prices plummeted.**
- One of the major developments in recent months was the heavy decline in Oil/Bunker prices, which is having different impacts on the container industry.
- IFO 380 CST -bunker prices have fallen from an average USD 580 in the first half of 2014 to USD 280 in late January 2015
- Prices bounced back to USD 325, but in general the prices have been cut in half over the last year.
- Increased demand: falling oil prices are boosting consumer spending in the US & Europe. We see rising demand for imports from China and hence improving utilization and profitability of container lines.





# IMPACTS ON CT MARKET

- **Freight Rates:** It is expected that some 70-80% of fuel savings are being passed on to shippers, but carriers are still enjoying significant savings. According to MAERSK every USD 100/ton change in bunker price will have a USD 200 mn impact on the line`s profit.
- **Speed:** One of the important messages received from different sources was that in theory, the speeding up of liner services makes no sense even with bunker prices at USD 250 per ton. Slow steaming will stay the norm.
- **Eco-Designs:** The market has surprisingly not yet reacted to the low fuel prices and charterers are still paying the same premiums for eco ships they did when fuel prices were still high. In the long run however this gap might close and older, less economical ships may become more attractive again.



# CHARTER RATES TRENDS

- The market now shows a significant drifting apart between the sizes. Whilst the feeder market up to 3.000 TEU is setting new benchmarks every day, the larger tonnage is having a difficult time.
- Panamax rates had increased sharply, mainly due to the additional demand arising from the USWC, but also from the other markets like WAFR. Now various vessels are coming open again. Difficult to find new employment straight away.
- The tonnage between 1.300 and 3.000 TEU has been the most active and most successful in an owners point of view. Gearless 2.800 TEU vessels have overcome the USD 13 k mark, geared 2.500 TEU vessels are fixing in the region of high USD 11 k's/low USD 12 k's, all applicable for Asia.

| Time Charter Rates (USD/day)            |        |        |        |        |        |        |        |        |            |       |
|-----------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|------------|-------|
| Month                                   | Jan-13 | Jan-14 | Oct-14 | Nov-14 | Dec-14 | Jan-15 | Feb-15 | Mar-15 | Monthly CH | Trend |
| 700 TEU (Gearless)                      | 4,500  | 4,400  | 4,700  | 4,650  | 4,750  | 4,750  | 4,600  | 4,600  | 0.0%       | →     |
| 1100 TEU (Geared)                       | 5,600  | 6,300  | 6,400  | 6,200  | 6,200  | 6,600  | 6,750  | 7,000  | 3.7%       | ↗     |
| 1700-1800 TEU (Geared)                  | 6,500  | 7,400  | 7,500  | 7,500  | 7,500  | 7,500  | 7,500  | 7,800  | 4.0%       | ↗     |
| 2400-2600 TEU (Geared)                  | 6,700  | 7,800  | 8,000  | 8,250  | 8,000  | 8,000  | 8,000  | 9,500  | 18.8%      | ↗     |
| 2700-2800 TEU (Gearless)                | 6,150  | 7,000  | 8,150  | 8,300  | 7,900  | 7,750  | 8,400  | 9,500  | 13.1%      | ↗     |
| 3300-3600 TEU (Gearless)                | 6,800  | 7,350  | 8,500  | 8,250  | 8,250  | 8,500  | 8,500  | 10,000 | 17.6%      | ↗     |
| 4000-4500 TEU (Gearless - < 32.2m beam) | 7,950  | 7,900  | 10,000 | 9,800  | 9,800  | 10,500 | 13,000 | 14,750 | 13.5%      | ↗     |
| 4500-5400 TEU (Gearless - > 32.2m beam) | 15,000 | 15,400 | 17,000 | 17,000 | 17,500 | 18,500 | 20,000 | 21,000 | 5.0%       | ↗     |
| 5000-5300 TEU (Gearless - < 32.2m beam) | 9,000  | 7,100  | 11,000 | 8,800  | 10,250 | 10,900 | 12,500 | 15,750 | 26.0%      | ↗     |
| 5500-6000 TEU                           | 17,000 | 11,000 | 15,500 | 15,800 | 15,800 | 16,200 | 17,000 | 18,000 | 5.9%       | ↗     |
| 6300-7000 TEU                           | 20,000 | 16,000 | 16,500 | 17,000 | 16,000 | 17,500 | 21,000 | 19,000 | -9.5%      | ↘     |
| MBCI                                    | 423    | 444    | 450    | 471    | 427    | 424    | 429    | 483    | 12.6%      | ↗     |





# CHARTER RATES TRENDS

|             |          |                  | New ConTex Development |              |        |        |          |                |         |          |              |        |       |
|-------------|----------|------------------|------------------------|--------------|--------|--------|----------|----------------|---------|----------|--------------|--------|-------|
| Vessel type |          | Evaluated Period | Today                  | Week-on-Week |        |        |          | Month-on-Month |         |          | Year-on-Year |        |       |
|             |          |                  | 09.04.15               | 02.04.15     | Change | Change | 10.03.15 | Change         | Change  | 08.04.14 | Change       | Change |       |
| New ConTex* |          |                  | 508                    | 490          | 18     | ↑      | 3,7%     | 425            | 83      | 19,5%    | 356          | 152    | 42,7% |
| New ConTex  | 1100 TEU | 12 mos           | \$7.487                | \$7.378      | \$109  | ↗      | 1,5%     | \$6.909        | \$578   | 8,4%     | \$6.226      | 1.261  | 20,3% |
|             | 1700 TEU |                  | \$9.297                | \$9.027      | \$270  | ↑      | 3,0%     | \$8.010        | \$1.287 | 16,1%    | \$7.580      | 1.717  | 22,7% |
|             | 2500 TEU | 24 mos           | \$12.462               | \$11.749     | \$713  | ↑      | 6,1%     | \$8.977        | \$3.485 | 38,8%    | \$8.646      | 3.816  | 44,1% |
|             | 2700 TEU |                  | \$13.365               | \$12.452     | \$913  | ↑      | 7,3%     | \$9.920        | \$3.445 | 34,7%    | \$8.257      | 5.108  | 51,9% |
|             | 3500 TEU |                  | \$13.019               | \$12.756     | \$263  | ↑      | 2,1%     | \$11.470       | \$1.549 | 13,5%    | \$8.731      | 4.288  | 49,1% |
|             | 4250 TEU |                  | \$16.503               | \$16.535     | -\$32  | →      | -0,2%    | \$16.053       | \$450   | 2,8%     | \$9.114      | 7.389  | 81,1% |
|             | 2500 TEU | 12 mos           | \$10.855               | \$10.282     | \$573  | ↑      | 5,6%     | \$7.818        | \$3.037 | 38,8%    | \$7.531      | 3.324  | 44,1% |
|             | 2700 TEU |                  | \$11.920               | \$10.928     | \$992  | ↑      | 9,1%     | \$8.736        | \$3.184 | 36,4%    | \$7.138      | 4.782  | 67,0% |
|             | 3500 TEU |                  | \$11.585               | \$11.277     | \$308  | ↑      | 2,7%     | \$10.155       | \$1.430 | 14,1%    | \$7.497      | 4.088  | 54,5% |
|             | 4250 TEU |                  | \$14.854               | \$14.846     | \$8    | →      | 0,1%     | \$14.460       | \$394   | 2,7%     | \$7.560      | 7.294  | 96,5% |



# NEWBUILDINGS

- The total order book stands at **3,4 mn TEU**, which equals some 450 vessels or 19 % of the or 19 % of the existing fleet.
- Very low number of vessels, capacity on order plus 50% compared to 12 years ago.
- **307.000 TEU** were already delivered in 2015.

| Cellular Container Fleet ('000 TEU) |                                           |               |            |              |           |                         |               |                    |             |                         |               |                    |            |            |            |
|-------------------------------------|-------------------------------------------|---------------|------------|--------------|-----------|-------------------------|---------------|--------------------|-------------|-------------------------|---------------|--------------------|------------|------------|------------|
|                                     | 2015<br>No. of<br>vessels - ult.<br>March | 2015          |            |              |           |                         |               |                    | 2016        |                         |               |                    | 2017       | 2018       | 2019       |
|                                     |                                           | Fleet 1/1     | Delivered  | Order Book   | Scrapped  | Estimated<br>Scrappings | Fleet 31/12   | Capacity<br>Growth | Order Book  | Estimated<br>Scrappings | Fleet 31/12   | Capacity<br>Growth | Order Book | Order Book | Order Book |
| <b>0-699 TEU</b>                    | 536                                       | 233           | 1          | 2            | 1         | 6                       | 230           | -1.5%              | 0           | 4                       | 226           | -1.9%              | 0          | 0          | 0          |
| <b>700-999 TEU</b>                  | 418                                       | 360           | 0          | 2            | 2         | 7                       | 352           | -2.2%              | 1           | 7                       | 345           | -1.8%              | 0          | 0          | 0          |
| <b>1,000-1,499 TEU</b>              | 699                                       | 813           | 4          | 17           | 4         | 22                      | 807           | -0.7%              | 15          | 14                      | 809           | 0.2%               | 6          | 0          | 0          |
| <b>1,500-1,999 TEU</b>              | 536                                       | 929           | 4          | 28           | 14        | 9                       | 937           | 0.9%               | 42          | 10                      | 970           | 3.4%               | 12         | 0          | 0          |
| <b>2,000-2,999 TEU</b>              | 655                                       | 1,672         | 5          | 83           | 11        | 31                      | 1,717         | 2.7%               | 57          | 7                       | 1,767         | 2.9%               | 19         | 0          | 0          |
| <b>3,000-3,999 TEU</b>              | 261                                       | 902           | 11         | 44           | 10        | 26                      | 922           | 2.2%               | 15          | 17                      | 919           | -0.3%              | 25         | 7          | 0          |
| <b>4,000-5,399 TEU</b>              | 777                                       | 3,525         | 10         | 34           | 14        | 42                      | 3,513         | -0.3%              | 21          | 16                      | 3,517         | 0.1%               | 8          | 0          | 0          |
| <b>5,400-6,999 TEU</b>              | 435                                       | 2,650         | 14         | 14           | 0         | 0                       | 2,677         | 1.0%               | 0           | 0                       | 2,677         | 0.0%               | 0          | 0          | 0          |
| <b>7,000-9,999 TEU</b>              | 456                                       | 3,807         | 99         | 415          | 0         | 0                       | 4,321         | 13.5%              | 283         | 0                       | 4,605         | 6.6%               | 38         | 0          | 0          |
| <b>10,000-13,999 TEU</b>            | 186                                       | 2,244         | 40         | 181          | 0         | 0                       | 2,465         | 9.8%               | 250         | 0                       | 2,715         | 10.2%              | 10         | 69         | 0          |
| <b>14,000+ TEU</b>                  | 73                                        | 999           | 120        | 619          | 0         | 0                       | 1,738         | 73.9%              | 488         | 0                       | 2,227         | 28.1%              | 315        | 163        | 100        |
| <b>Total</b>                        | <b>5,032</b>                              | <b>18,134</b> | <b>307</b> | <b>1,438</b> | <b>57</b> | <b>143</b>              | <b>19,679</b> | <b>8.5%</b>        | <b>1172</b> | <b>75</b>               | <b>20,777</b> | <b>5.6%</b>        | <b>432</b> | <b>240</b> | <b>100</b> |



# RECORD AFTER RECORD

- In January 2015 DSME (Daewoo Shipbuilding & Marine Engineering ) has delivered the WORLD'S LARGEST containership currently on the water, the MSC OSCAR with 19.224 TEU, upgraded during construction, No 2 MSC OLIVER out of 20 ordered units to follow.
- But, OOCL has ordered 6 x 21.100 TEU, a new record! 400 m length, 59 m breadth, 23 container rows on deck.







# MSC OSCAR

## WORLD'S LARGEST CONTAINER CAPACITY VESSEL

Constructed by Daewoo Shipbuilding & Marine Engineering (DSME) shipyard and classed by DNV GL, the vessel, which is 395.4 m long and 59 m wide, has a record-setting capacity of 19,224 Teus.

The colossal vessel has a deck area equivalent to four football fields laid end to end and in a single voyage could carry a cargo volume equivalent to 57.7 million garments or 2.4 million microwave ovens. Incorporating state of the art technologies such as the electronically controlled modern classic diesel engines, anti-fouling paint and auto pilot systems, MSC Oscar achieves an improved level of efficiency and offers a healthier supply chain.

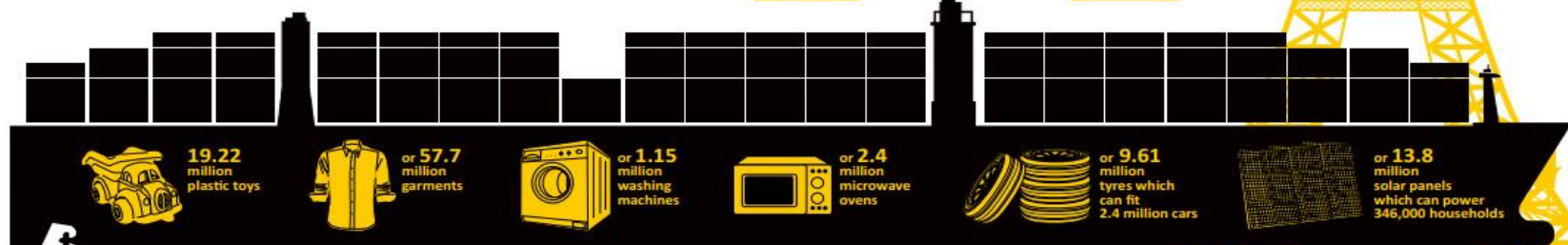
From January 2015, MSC Oscar operates on the Albatross service which is one of the six services between Asia and Northern Europe provided by MSC. MSC Oscar departed from Dalian in China on 25<sup>th</sup> January and is now in service on the Albatross trade route between Asia and Europe.

From its last port of call in Tanjung Pelepas, Malaysia on February 10<sup>th</sup> MSC Oscar travels to Europe in early March where it calls at Algeciras, Rotterdam, Bremerhaven and Wilhelmshaven and Felixstowe with transit times of 16, 20, 22 and 24 days respectively.

Eiffel Tower  
301 m

Big Ben  
96 m

Leaning  
Tower of Pisa  
56 m



Length 395.4 m





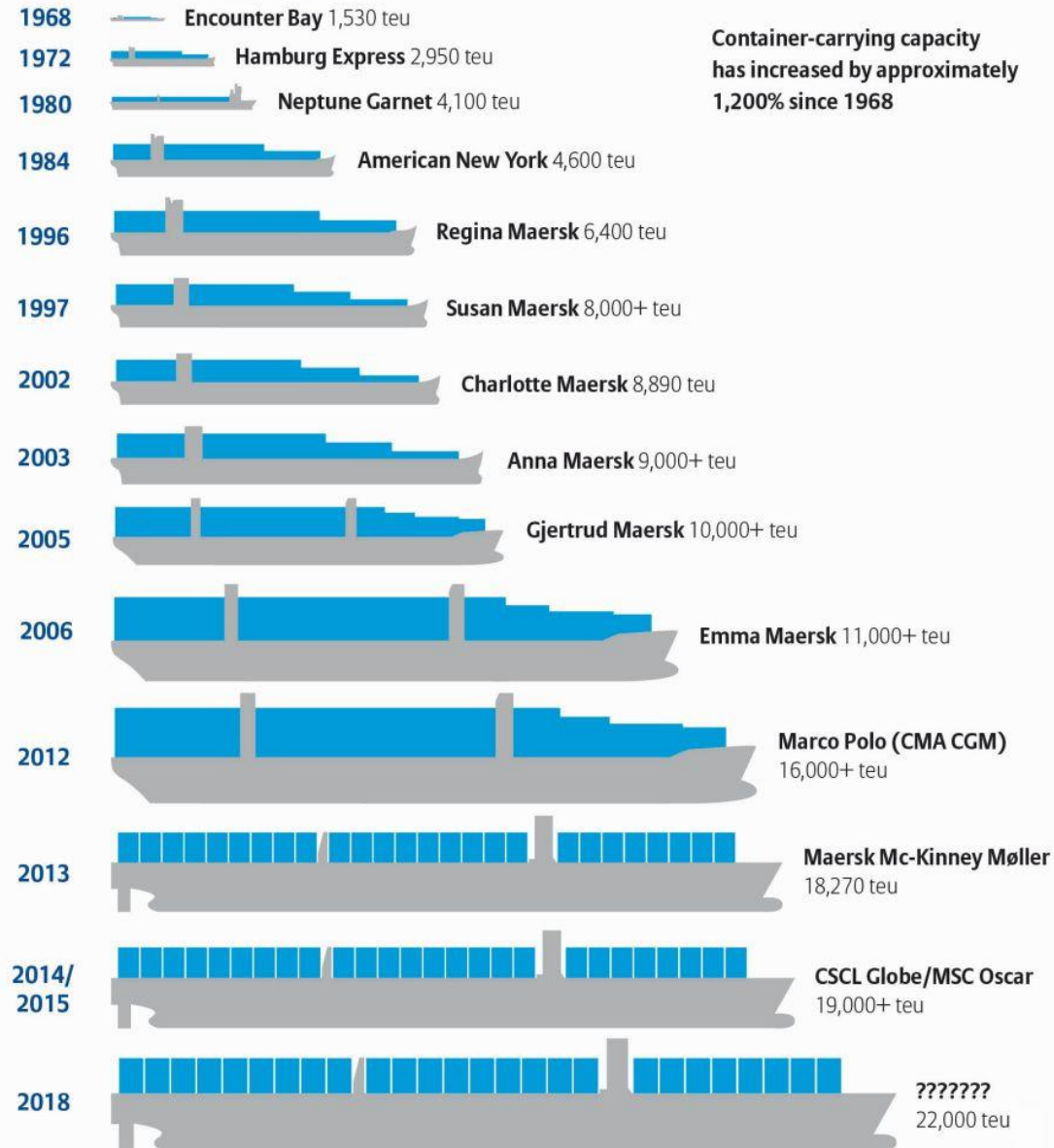
# MEGASHIPS ORDER BOOK

- MSC 20 x 19.224 TEU
- UASC 6 x above 20.000 TEU
- MOL 6 x 20.150 TEU
- OOCL 6 x 21.000 TEU
- MOSK 4 x 20.000 TEU plus 2 chartered in
- CSCL 3 x ?
- CMA CGM 3 x 20.600 TEU plus 6 x 18.000 TEU, delivery started
- COSCO planning 11 x 19.000 TEU, YANG MING equal size
- EVERGREEN time chartered 11 x 18.000 TEU
- MAERSK to follow by mid year?? 10 x 20.000 TEU
- HAPAG-LLOYD decision expected in a few months
- Higher box stacks in hold and on deck enable yards to built bigger ships without changing dimensions. By lifting the deckhouse to ensure visibility, yards can create 11 tiers in the holds and 11 on deck. Only a matter of time before we see 12 tiers on deck.
- ALL ARE RESTRICTED TO ASIA TO EUROPE TRADE



## 50 years of Container Ship Growth

Container-carrying capacity  
has increased by approximately  
1,200% since 1968





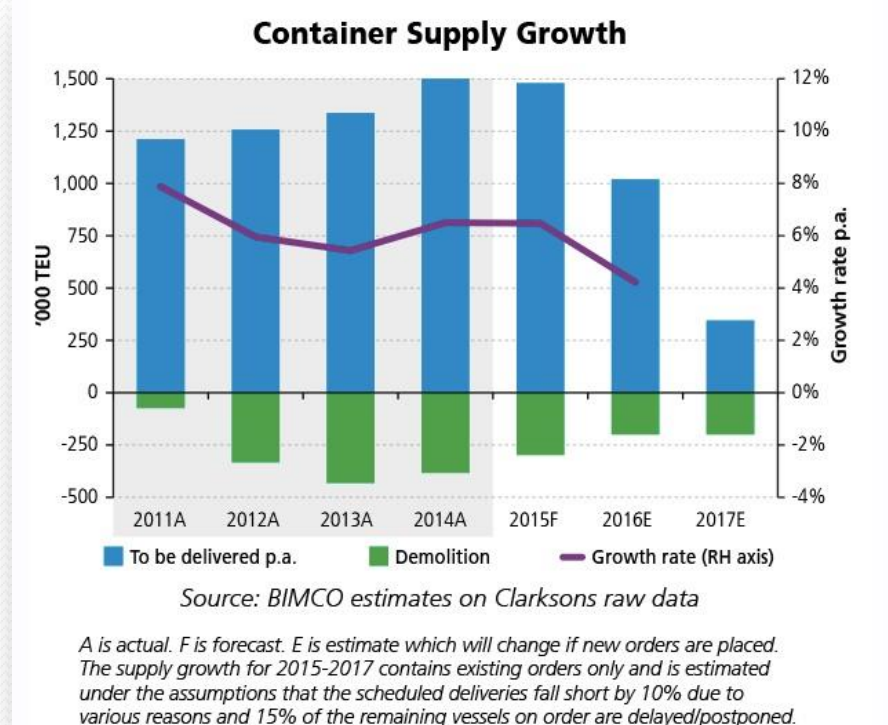
# IDLE FLEET & SCRAPPING

- **Idle Fleet:** The number of smaller units below 3.000 TEU has shrunk to the lowest level in 4 years
  - 69 units 500 – 2.999 TEU (135, 2014)
  - 34 units above 3.000 TEU (Alphaliner).
- **Box ship scrapping** set to remain high after more than 1 mn TEU scrapped past three years (2012/2014). 300.000 TEU.
  - HAPAG-LLOYD announced to scrap 16 units in 2015.
  - 57.000 TEU scrapped in 2015.



# MARKET OUTLOOK

- Container Market gets bigger in every way. The increasing dominance of the giant container ships is the most notable current trend in this sector.
- Box throughput set to reach 1 bn TEU come 2020 with Asian share of 65 %. Continued growth through out Asia will lead to 40% increase in global traffic (Drewry). (2013: 623 mn TEU).
- Ports will come under increasing pressure to provide the necessary infrastructure to facilitate the mega ships and the rapid growth in demand. Larger crane, longer berths, yard space, berth productivity and efficiency.





# AND THE BULK MARKET?



"ARE YOU BETTER OFF NOW THAN YOU WERE FOUR YEARS AGO?... HELLO?"



## Dry Bulk Market

5<sup>th</sup> May 2008

BDI at 11793  
points.



Record Low

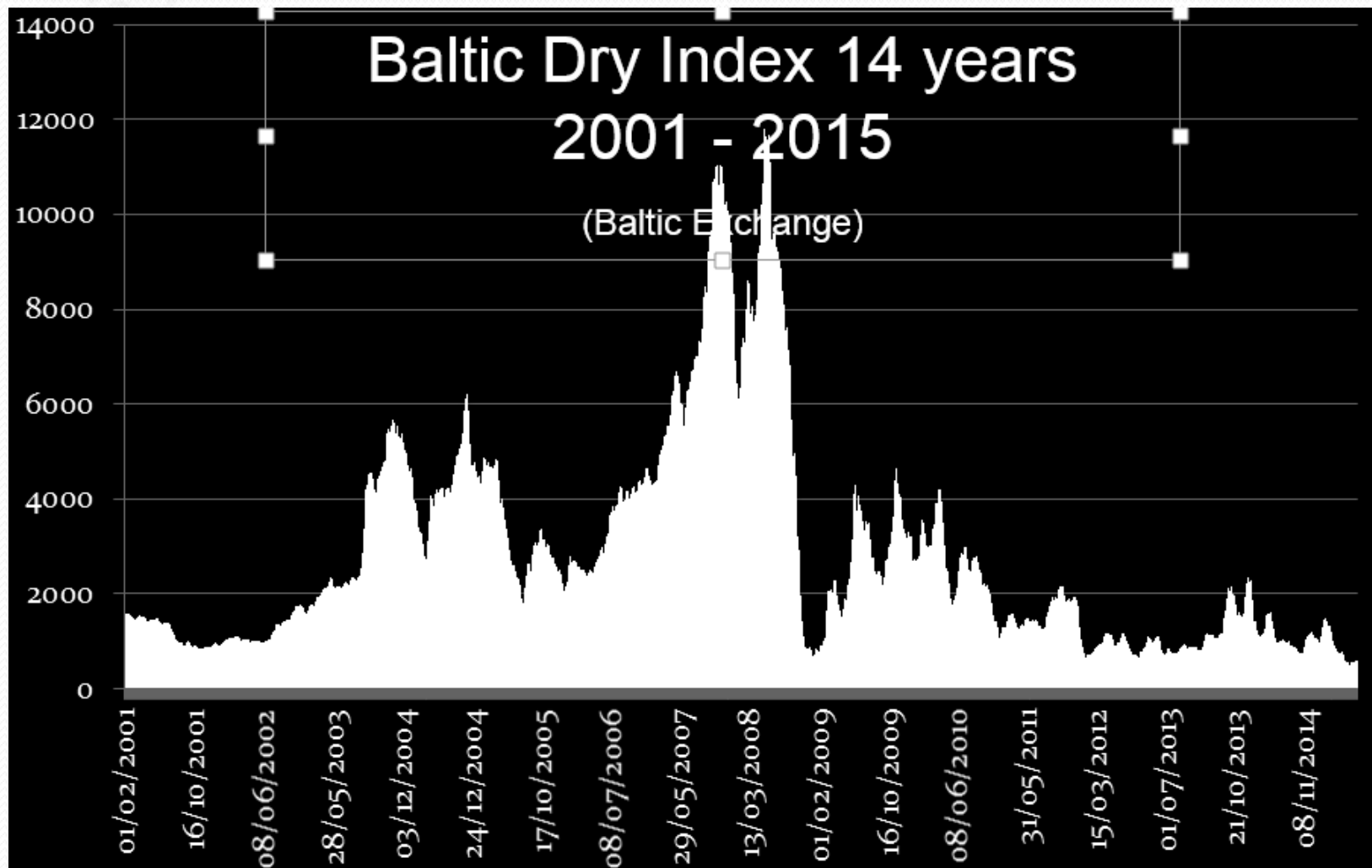
18<sup>th</sup> February 2015

BDI at 509 points





# BDI 2001-2015







“Shipping is a variable and cyclical business  
and anyone who thinks they can forecast it  
needs their head examining.”

Dr Martin Stopford of Clarksons

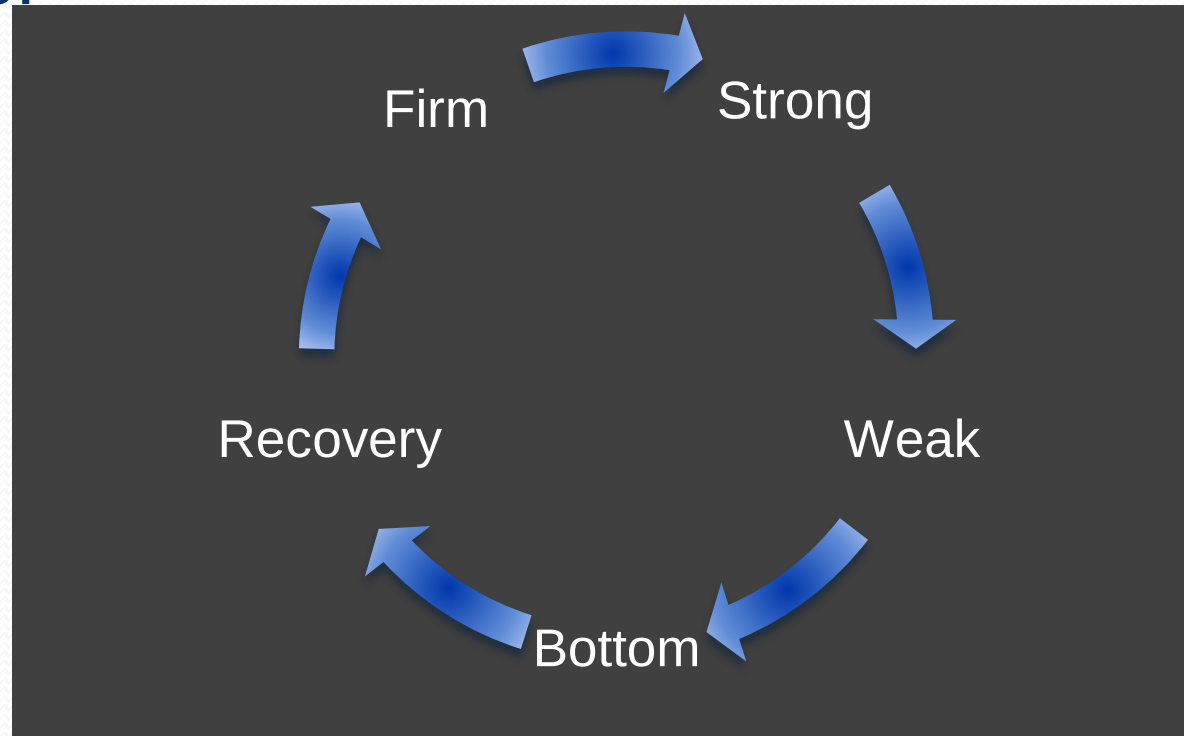
Disclaimer from 5th Hydra Shipping Conference in September 2013



# SHIPPING CYCLES

Shipping Cycles have been examined for the last 264 years: the scientific research suggests that shipping cycles are:

- 3-4 years
- 10 years
- 20 years





# HISTORY REPEATS ITSELF: 1980 vs 2010

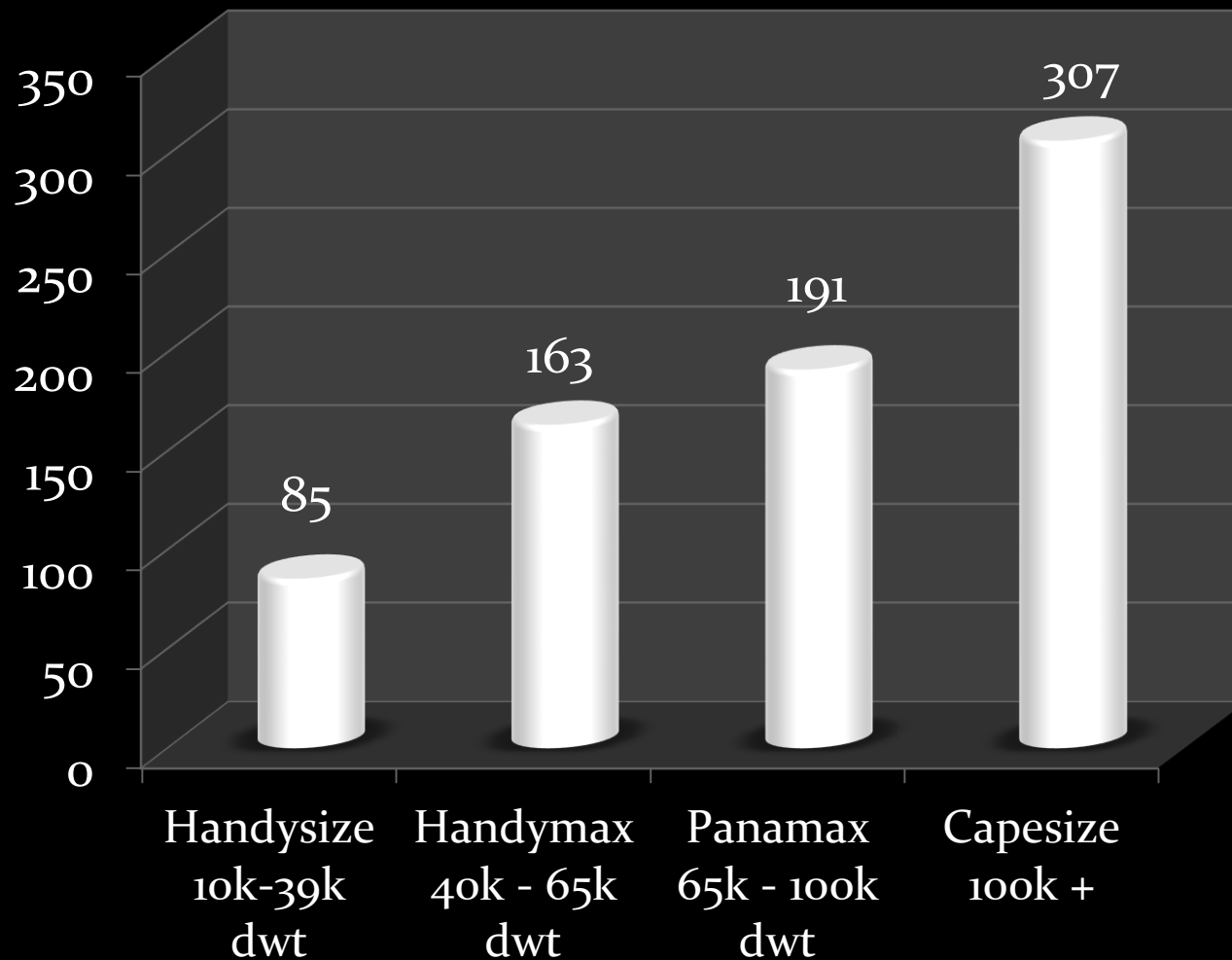
## Similarities

- Recession of the world economy
- Reduced demand for seaborne trade
- Over investment  
1980: Sanko  
2010: Scorpio

## Differences

- Interest rates
- Cheap capital
- IPOs and Hedge Funds Subsidizing Shipping
- Future is unpredictable

# Existing Dry Bulk Fleet - Dec 2014 (SSY) in million DWT





# Dry market orderbook

No of vessels

(SSY)

1,016

641

178

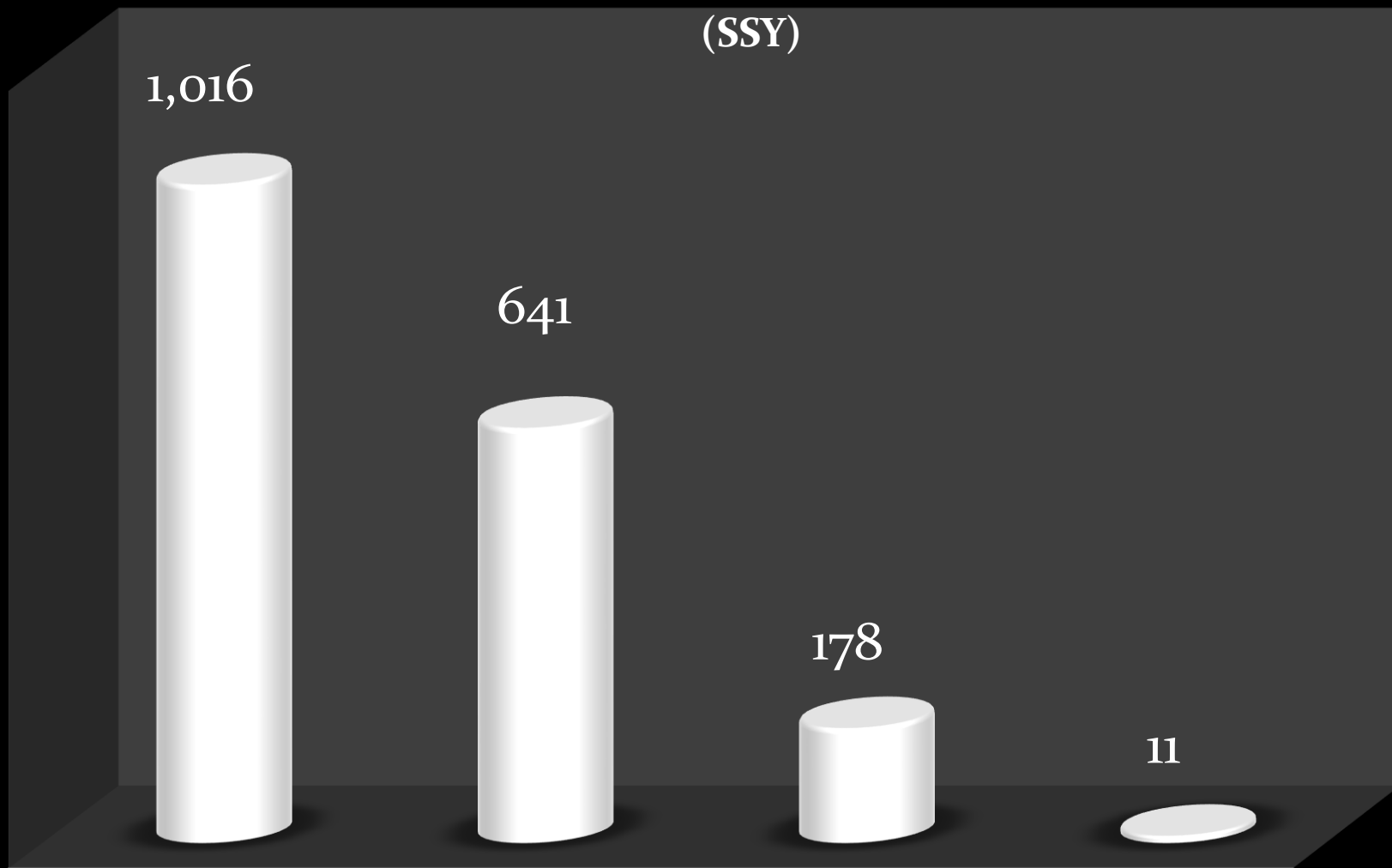
11

2015

2016

2017

2018+



# Dry Market Orderbook in dwt (SSY)

79,859,680

58,825,177

16,830,285

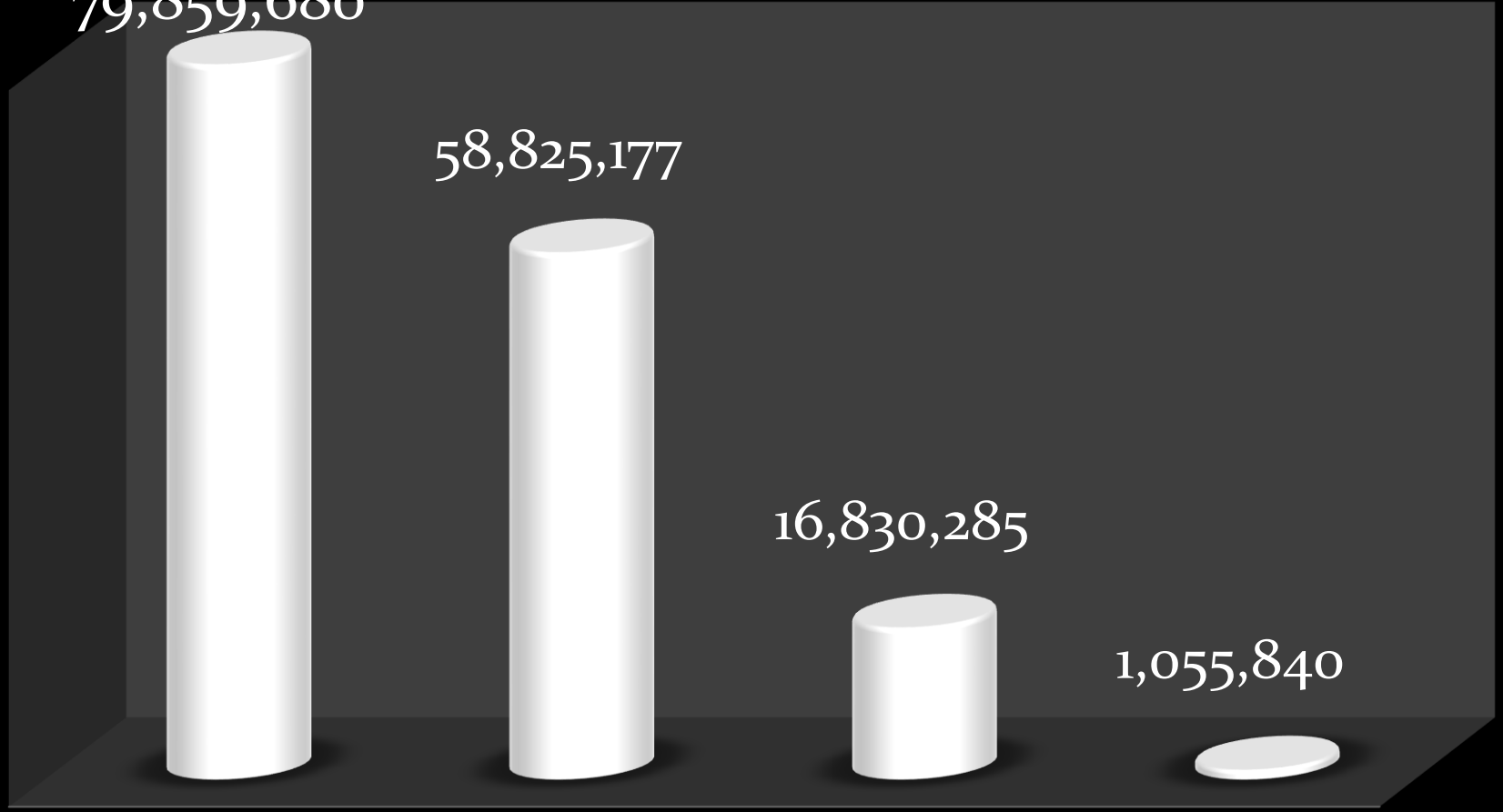
1,055,840

2015

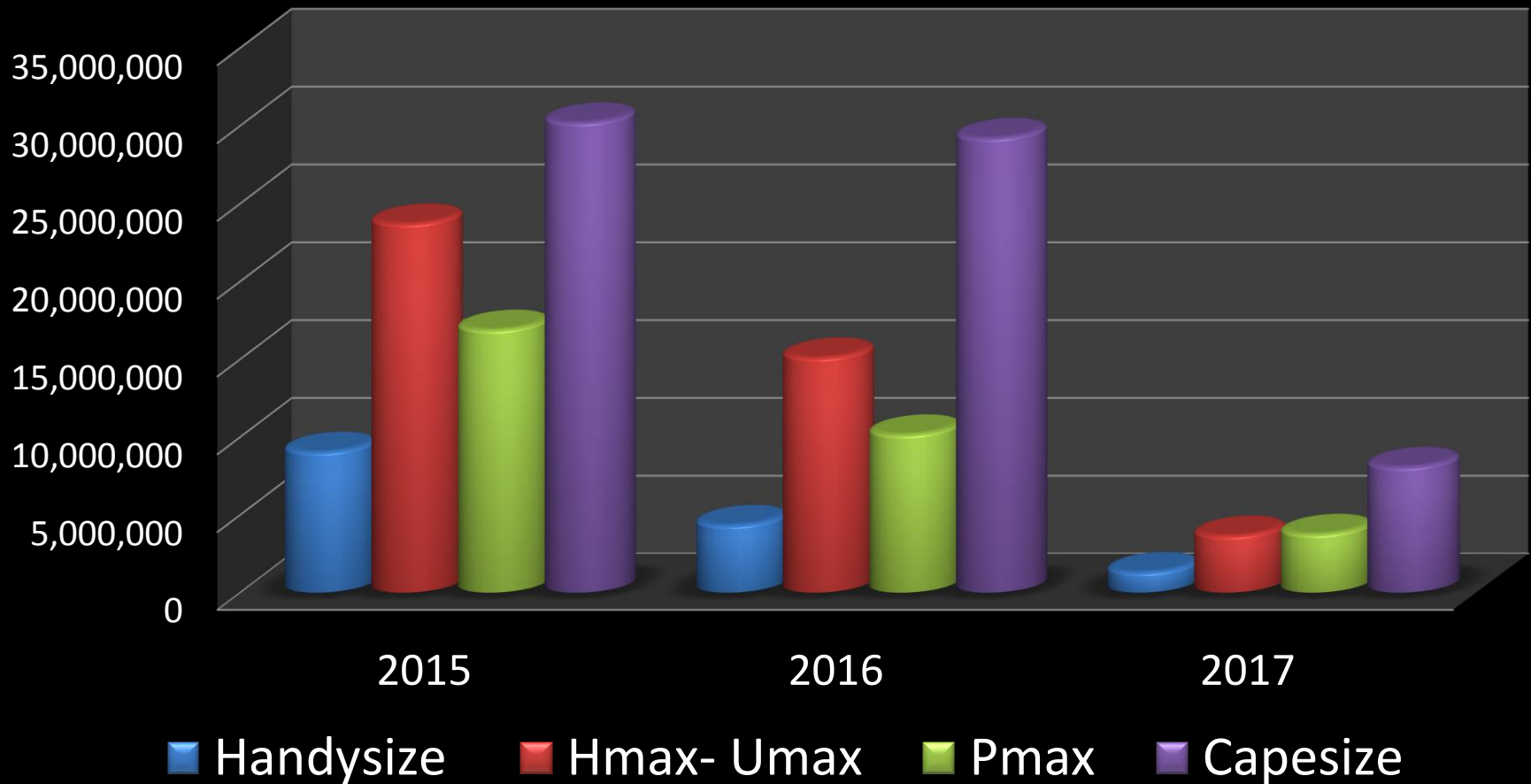
2016

2017

2018+

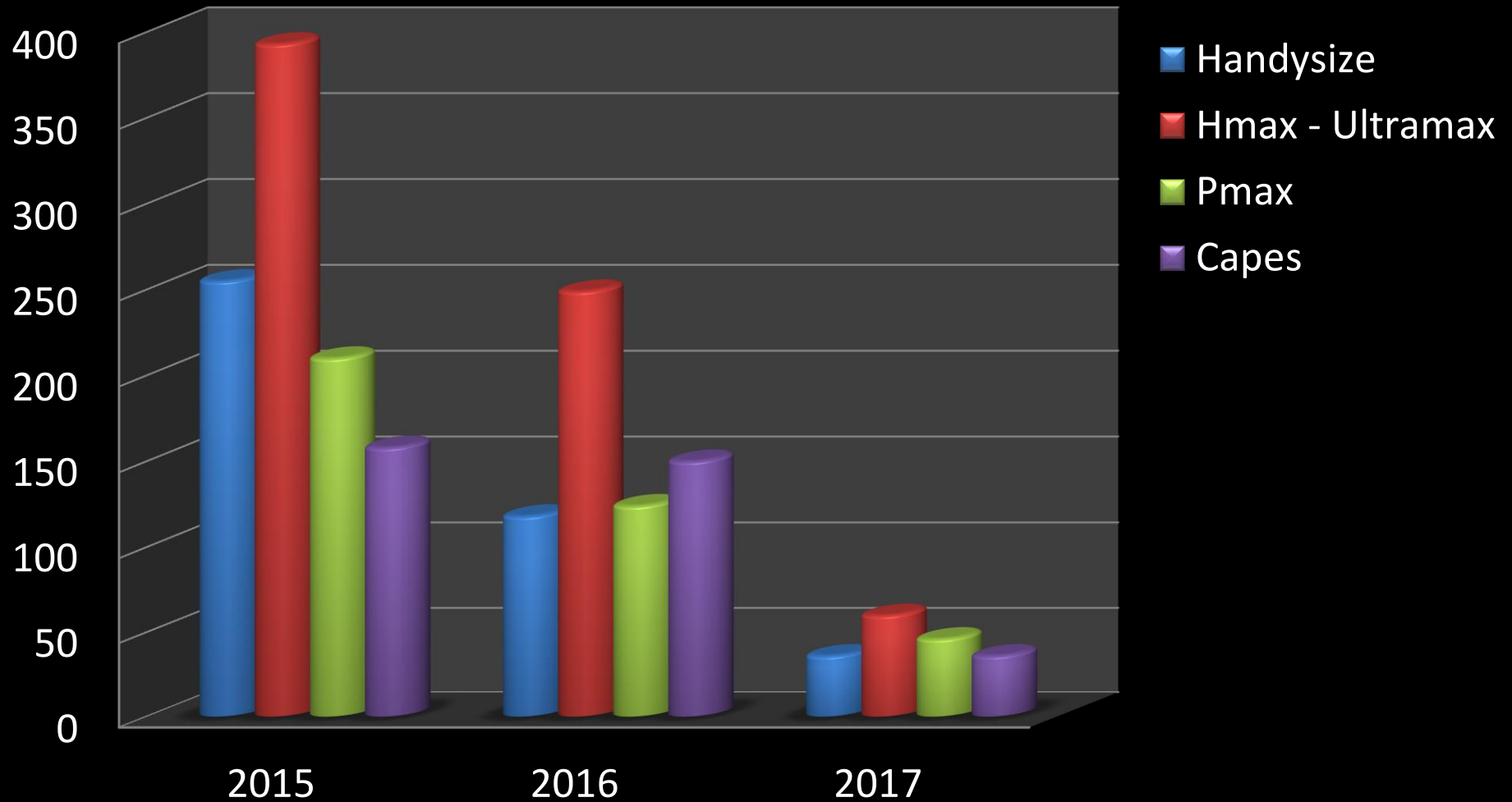


# Orderbook in dwt (SSY)



# Orderbook

## Number of Vessels (SSY)





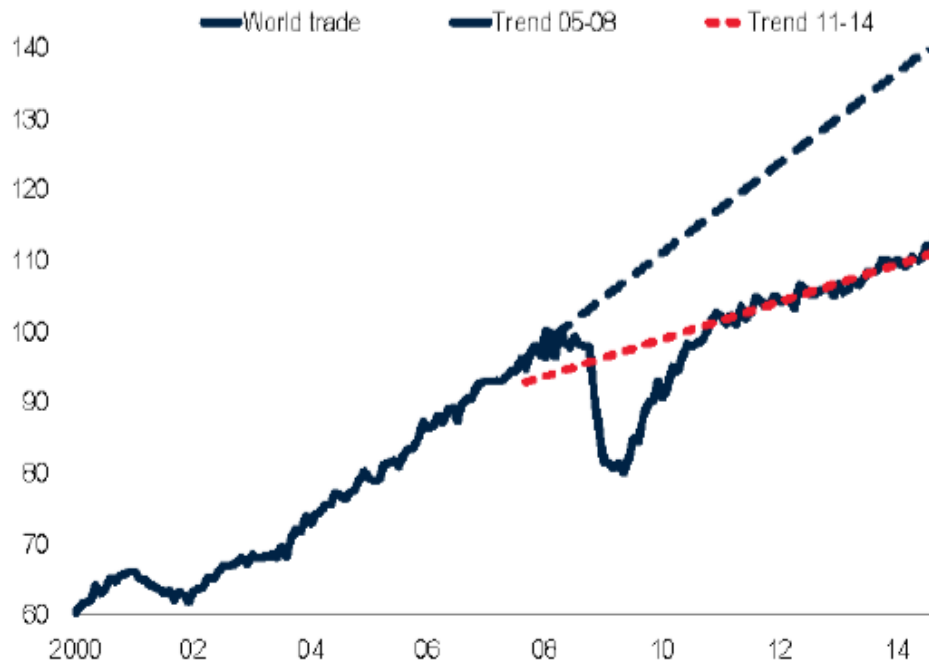


# THERE IS GROWTH, BUT

## Global trade slowdown

### World Trade: Actual and Trend

Index = 100 in 2008



Source: World Bank

Another  
4 years  
of pains



# DON'T PANIC!!!!



**IT  
CAN  
HELP!**



# IT and SHIP MANAGEMENT

## A difficult wedding but a needed one



"We met, fell madly in love, got engaged, had a lovely wedding and honeymoon. Then things turned sour, we grew bitter, separated and divorced. It was quite a busy weekend!"

# Shipping has become tougher than it ever was



Clar

Environ



KEY:

Ballast Water Convention

H

\* Draft amendments delay

\*\* Subject to review into a

on Limit

it

ry (Phase 0)

Line (Phase 1)

Enters into Force (If Ratified)

on Limit Takes Effect\*

Line (Phase 2)

Line (Phase 3)





# WHAT TO DO THEN?

- **OPTION 1:**







# WHAT TO DO THEN?

- **OPTION 2:**
  - **BECOME MORE EFFICIENT IN MANAGING YOUR VESSELS**
    - Many shipowners have NO IDEA on how much money is being wasted on their ships
    - They also have NO IDEA on how much money is being stolen from them
  - **Efficiency is a must in surviving in the next years. And to be efficient, you need IT**



# IT has become ubiquitous

- Fleet Management Systems
- Weather routing
- ECDIS
- Mail systems
- Automation plants

Of these, Fleet Management Systems encounter the higher resistance to use.

**The reason is:  
CONTROL**

# Management and Control



- Management means Control
- Control means:

## **control** (kən'trəʊl)

vb (tr) , -trols, -trolling or -trolled

1. to command, direct, or rule: *to control a country*.
2. to check, limit, curb, or regulate; restrain: *to control one's emotions; to control a fire*.
3. to regulate or operate (a machine)
4. to verify (a scientific experiment) by conducting a parallel experiment in which the variable being investigated is held constant or is compared with a standard
5. (Accounting & Book-keeping)
  - a. to regulate (financial affairs)
  - b. to examine and verify (financial accounts)

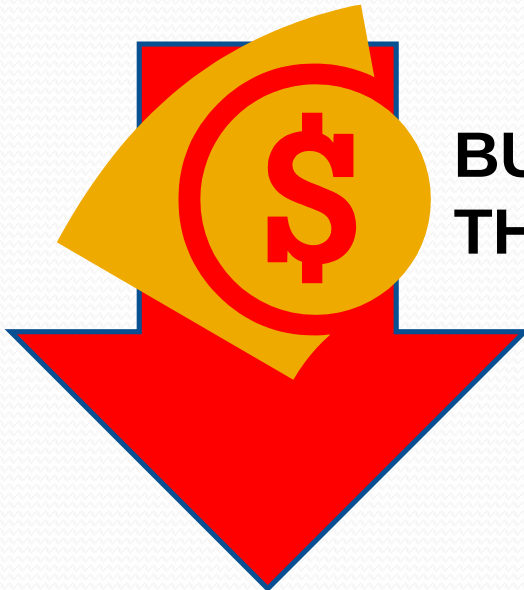
- And many people do not like or want control



# A basic mistake



Top Management is always involved  
with the money that comes in



**BUT WHAT ABOUT CONTROLLING  
THE MONEY WHICH GOES OUT???**

# FACTS.....



| NAME                      | STATUS               | AMOS ON BOARD? |
|---------------------------|----------------------|----------------|
| Beluga shipping           | Bankrupt             | NO             |
| Korea lines               | Bankrupt             | NO             |
| General Maritime          | Bankrupt (Ch.11)     | NO             |
| Eagle Bulk                | Under restructuring  | NO             |
| BLT Malaysia              | Close to bankruptcy  | NO             |
| Deiulemar Shipping        | Bankrupt             | NO             |
| D'Amato Giuseppe          | Bankrupt             | NO             |
| Di Maio Lines             | Bankrupt             | NO             |
| TORM                      | Trying to recover    | NO             |
| Rizzo Bottiglieri Carlini | Bankrupt             | NO             |
| Saarland                  | Bankrupt             | NO             |
| Marco Polo                | Bankrupt             | NO             |
| OMEGA Shipping            | Bankrupt             | NO             |
| Sanko                     | Bankrupt             | NO             |
| Navigator                 | Bankrupt             | NO             |
| NEL Lines                 | Bankrupt             | NO             |
| Allied Maritime           | Bankrupt             | NO             |
| B&H Ocean                 | Bankrupt             | NO             |
| OSG                       | Bankrupt (Ch.11)     | NO             |
| Daebo International       | Court receivership   | NO             |
| Winland Ocean Shipping    | Filed for bankruptcy | NO             |
| Copenship                 | Filed for bankruptcy | NO             |

> 150 KG companies  
have gone bankrupt  
in Germany, for over  
700 ships.  
NOT ONE had a FMS  
installed





# The cost of lack of control

**Report of Investigation into the Circumstances Surrounding the  
Explosion, Fire, Sinking and Loss of Eleven Crew Members  
Aboard the  
MOBILE OFFSHORE DRILLING UNIT  
DEEPWATER HORIZON  
In the GULF OF MEXICO  
April 20 – 22, 2010  
Volume I  
Pages from 19 to 20 (xviii and xix in the report)**





## Transocean

The investigation has shown that over a period of years and in the time leading up to the casualty, Transocean amassed numerous deficiencies in the area of safety, including:

- **International Safety Management Code Violations:** Both Transocean and DEEPWATER HORIZON were required to have a safety management system that complied with the ISM Code, the purpose of which is to ensure safety at sea, prevent injury or loss of life, and avoid damage to the environment. The investigation, however, determined that Transocean had a history of ISM Code violations on DEEPWATER HORIZON and other vessels.

- **Poor Maintenance Record:** Two recent audits of DEEPWATER HORIZON found numerous maintenance deficiencies that could impact safety, including problems with firefighting, electrical, and watertight integrity systems. In particular, the audits found that, contrary to the manufacturer's guidelines which called for inspection and certification of the blowout preventer (BOP) every three to five years, Transocean did not arrange to have the DEEPWATER HORIZON BOP (BlowOut Preventer) recertified for over ten years.  
In addition, key BOP parts had "significantly surpassed the recommended recertification period" and needed to be replaced.

- **Crew Training and Knowledge:** Transocean failed to ensure that its onboard management team and crew had sufficient training and knowledge to take full responsibility for the safety of the vessel. The master acknowledged that the training he received on the Safety Management System consisted of viewing a PowerPoint presentation, the content and whereabouts of which he was unable to recall.



# Is there a link? YES

- **No Fleet Management Software on vessel?**
  - No control on spares = waste and pilferage
  - No control on Maintenance = More failures = higher repair costs, out of service costs, higher insurance costs
  - No control on Documentation: Fines due to wrong/missing documentation on vessel
  - Costs due to possible arrests
  - Easier for crews to «create» Magic Pipes incidents to cash rewards
  - More difficult to shipowner to justify due diligence behavior in case of accidents and incidents



# Where do shipping companies lose money

- There are so many areas where money can be lost, that it is difficult to list them all:

| Lack of control on spares (lost, forgotten)         | Too many spares ordered                               | Too many POs (lack of consolidation practices) |
|-----------------------------------------------------|-------------------------------------------------------|------------------------------------------------|
| Too few POs (lack of discount possibilities)        | Always buying from same suppliers (lack of discounts) | Wrong maintenance                              |
| Wrong spares ordered                                | Too little maintenance (breakdowns)                   | Too much maintenance                           |
| Failure to comply with rules (PSC fines or arrests) | Higher insurance costs due to problems                | Pilferage (on spares and fuel)                 |

The logo for SpecTec is located in the top left corner. It features a stylized graphic of a fan or a series of radiating lines above the company name "SpecTec". Below the name, the tagline "Leading the way" is written in a smaller font, followed by "Resolving the future" in an even smaller font.

# You think: NIMBY?

- Think again: statistics showed that in the USA 11 to 13% on average of white collars in large companies do not hesitate to be dishonest if given the chance
- If you employ 1000 staff, 130 of them on average are ready to take advantage of lack of control
- This happens everywhere, and no countries are exempted





# And even assuming that the whole word is honest

- Do you really believe that you can control all you have to do without IT?

| Maintenance | Spares          |
|-------------|-----------------|
| Jobs        | Purchase Orders |
| Budgets     | KPIs            |
| TMSA        | Certificates    |
| ISM DOCS    | Exchange rates  |
| Crew lists  | Bunker prices   |
| Slop chest  | NOAs            |
| ERS/SOPEP/  | etc             |



# Is IT on ships difficult?

- Only for those who refuse to use it
- The fact that IT is present on ships since before 1985 demonstrates that it can be used
- The fact that the same shipowners continue to use it demonstrates that it is useful
- So why some people/companies make good use of IT, and some others don't?

# It all comes back to people

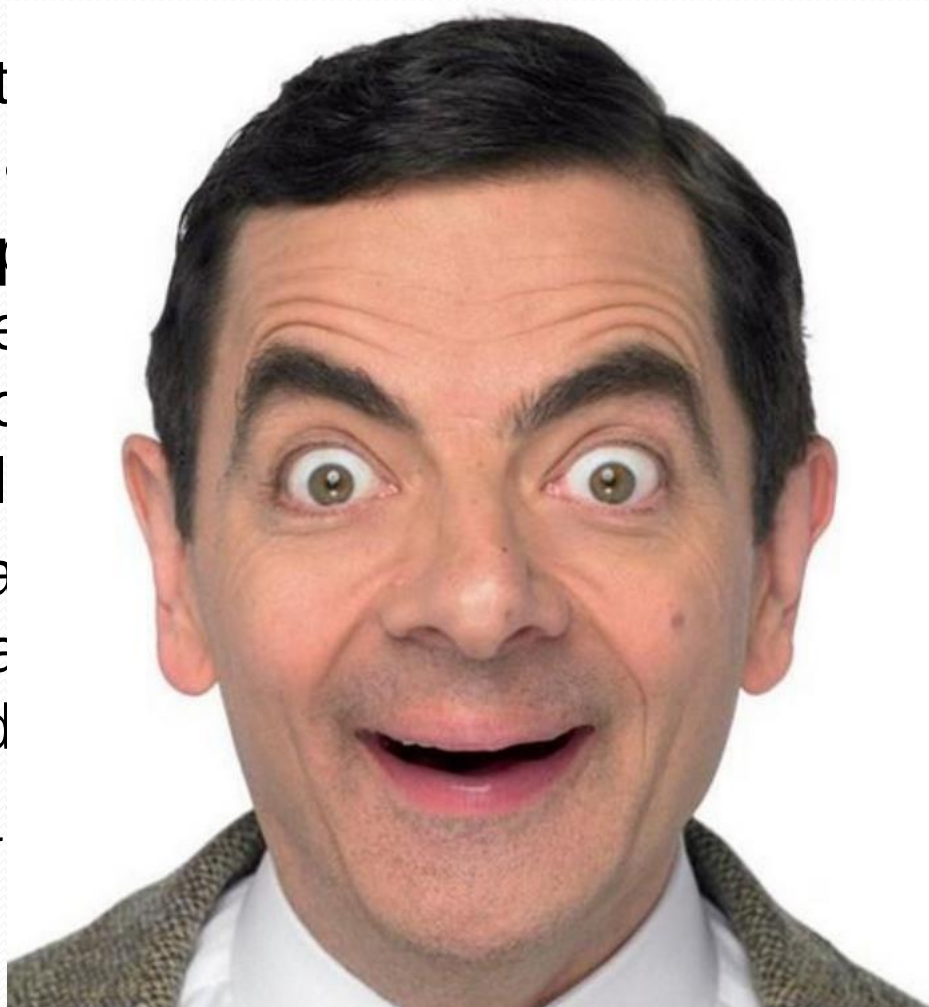


- Companies are made of people
- People use systems
- Most People do not like control, because they fear the consequences of it
- As a manager, you have to be aware that in any organization, there are 4 main types of people:
  - **Enthusiasts**
  - **Followers**
  - **Objectors**
  - **Underground**
- The last two types will do anything in their powers to avoid any form of control



# Enthusiasts

- They drive the projects, change
- They react positively and perceive the change, such as a higher salary
- They are easy models, change trainers and
- They are rational



What is needed:

Because they are in from the more status or

software, choices as on process.



# Followers

- Follow  
**con**  
resi  
**ada**  
inev
- The  
but
- The



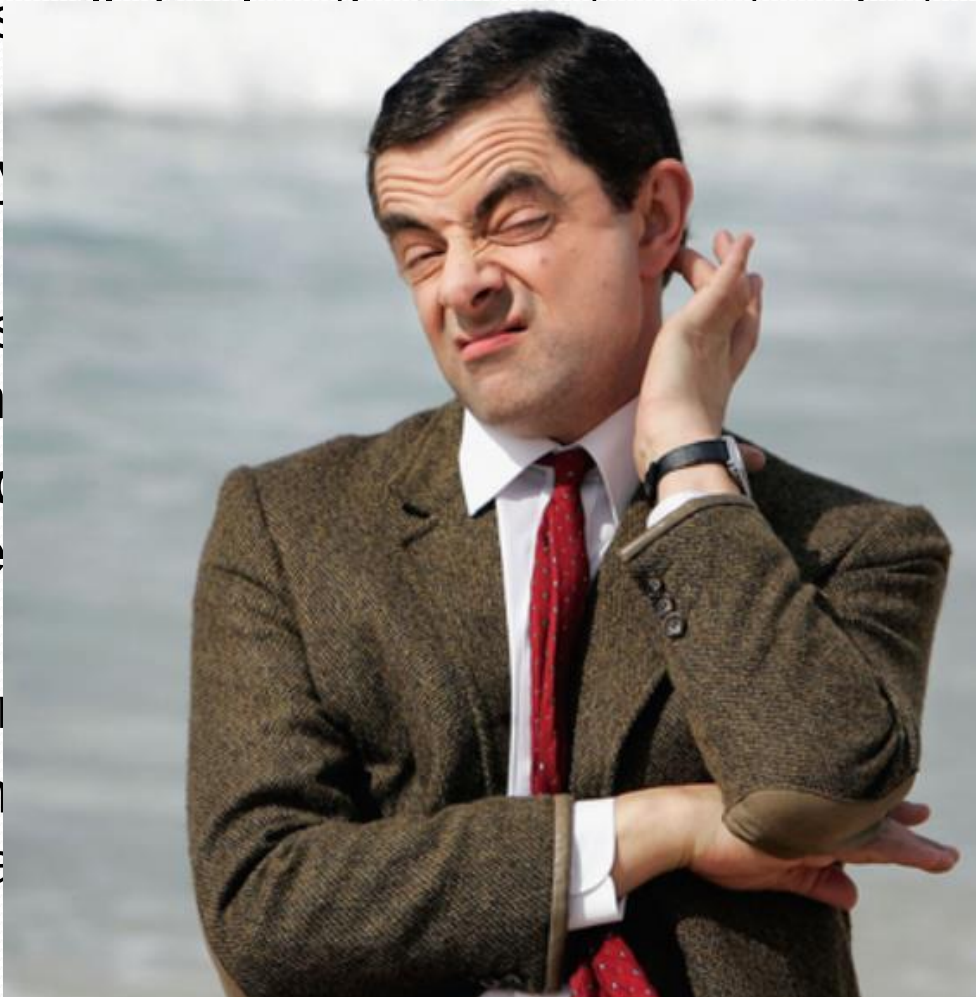
he  
ed,





# Objectors

- Objectors are often the first to see the opportunity
- They may be the first to refuse to change
- Objectors are often the first to see the need for change when others are not
- **They back out at the last minute and never see the light of day**
- They are often the first to see the need for change and will try to convince others to follow them
- They can be the first to see the need for change and will try to convince others to follow them
- They are often the first to see the need for change and will try to convince others to follow them
- They are often the first to see the need for change and will try to convince others to follow them



over, whenever the

take leave and

ems and processes  
ng things.

**even if they have**

and fellow workers  
the old ways.

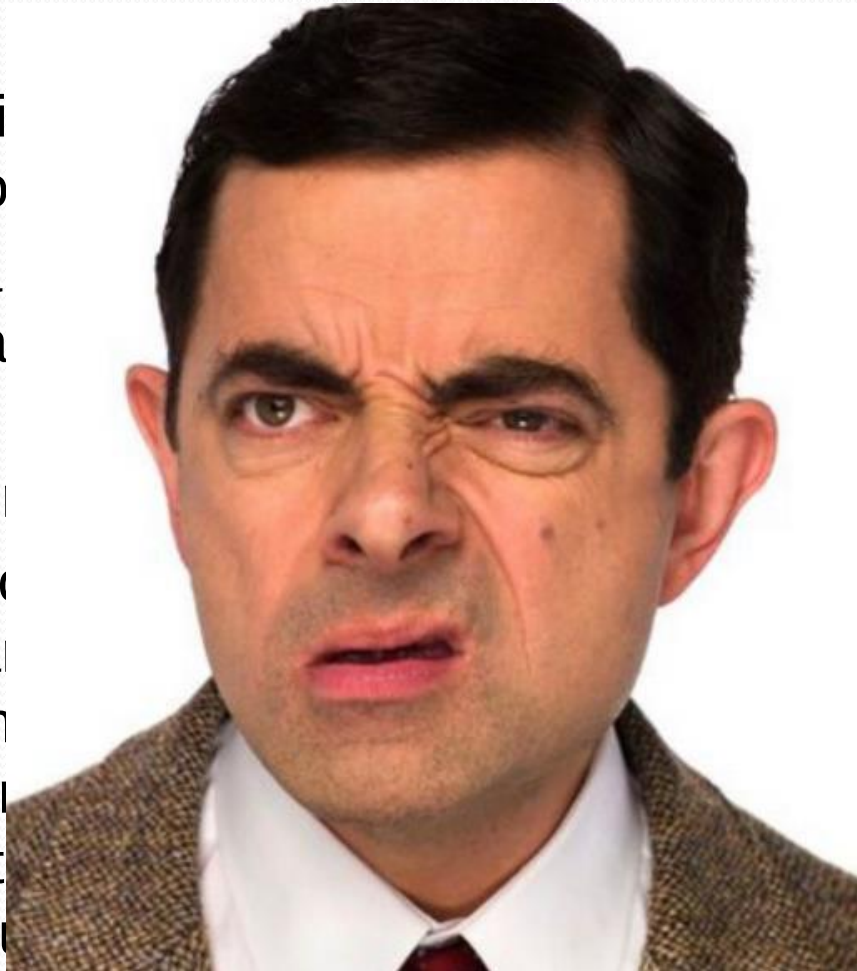
the level, the higher

be easily identified and



# Underground

- Change recipient motivations for
- They may fear more personal authority
- **They lose social status**
- Managers who support of it and resistance. They can take reports, input, and amplifying issues
- If undetected, they will ruin every company



have solid  
ic.

ination or fines, or  
status and

nges

d to be seen to be in  
g underground  
ure, always covert  
se are falsifying  
, spreading rumors,  
r more.



# Understand the reasons

- Of course, not all complaints against an IT system are unreasonable, unfounded, or have to be seen as suspicious
- But have you ever seen a company abandoning an accounting system because “it is too complicated” or “we do things faster” by hand?
- Can you imagine an airline where tickets are issued manually as the employee does not want to use the software?



# IT is there to help you exercise control

- You are what you know
- And your company performs on what you can control. What you cannot control, you lose
- So, shipping companies which will learn how to make good use of IT and will become organized, will survive the next years. The others will succumb
- Some good readings:
  - How the mighty fall (Jim Collins)
  - Freakonomics: Steven Levitt & Stephen Dubner



## **REMEMBER DARWIN LAW:**

**It is not the strongest of the species that survives,  
nor the most intelligent that survives.  
It is the one that is the most adaptable to change.**





THANK  
YOU