

Fairplay

THE INTERNATIONAL SHIPPING WEEKLY

Published since 1883

12 November 2009

Issue 6557

Volume 367

Price £9.50

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Photo: Danny Cornelissen

Further concern over Rotterdam Rules

by
MIRIAM FAHEY, STAFF REPORTER

THE ROTTERDAM Rules' electronic transport documents have come under scrutiny because the electronic platforms required for the transfer of data do not yet exist.

Morten Ligaard, head of the legal department at Norden, the Scandinavian dry bulk and tanker specialist, said: "There is currently no such system that is working, but it would be useful if we had one."

There is an electronic billing system in the tanker business, he explained, but none yet exists for the transfer of documentation under the Rotterdam Rules.

Without an authority to standardise the process, the shipping industry will have to step up and make suggestions.

With a previous electronic transfer platform called Bolero banks took the lead and called for the standardi-

sation of documentation. Shipping needs to do the same, urged Ligaard, adding, "at some stage this will happen."

HSBC bank suggested that the International Standardization Organization might be the appropriate body for secure transfer software, but ISO has not yet been approached in connection with the Rotterdam Rules, Roger Frost from ISO's Central Secretariat told *Fairplay*.

The Rotterdam Rules propose that electronic transport documents replace traditional bills of lading, thus reducing costs and paperwork. Whether or not they are taken up is subject to agreement between the shipper and carrier/shipowner.

The rules are expected to come into force over the next five years, after 20 states 'ratify, approve or accept' the convention. According to

Acceptance of electronic transport documents depends on agreement between the shipper and the carrier/shipowner

Holman Fenwick Willan's website, 21 states have so far signed, indicating their intention to 'ratify, approve or accept' in due course.

Three weeks ago, HSBC also expressed its concerns about costs of securing the e-documents following the expense of former platform Bolero. Christopher Snelling, Freight Transport Association's head of global supply chain, agreed. "We are aware of the bank's concerns [about the e-documents] as there are so many grey areas," he told *Fairplay*.

These include doubts as to whether banks will accept e-documents if they become industry practice. Nor is there any formulation of what the documents should look like, he said, and nobody has yet stepped up to the plate to define them. "Perhaps the rules just suit regulators," Snelling added.

He also expressed concerns about potential costs for shipowners if the rules come into force. "It will be expensive, and owners will face huge transition costs."

Norden is not currently using electronic means for its tanker or cargo contracts but it welcomed the Rotterdam Rules e-document move in theory.

The rules, which are 54 pages, 96 articles and 15 chapters long, have been criticised by freight forwarders and shippers for making the supply chain more complex.

Other aspects of the rules, such as the roles of maritime performing parties and the feasibility of electronic transport documents, have also raised concern. **E**

Commodity values rise

by
MIRIAM FAHEY

THE VALUE of commodities is increasing as the US dollar weakens – and this was brought sharply into focus by last week's purchase of 200 tonnes of gold by the Indian government for \$7Bn. That move pushed the spot gold price through the \$1,100/ounce level to \$1,111.

"The more the price of a commodity increases, the further it fuels additional demand," said Mike Baghdady, a former grains trader who now trains traders on how to hedge their bets in volatile circumstances.

Gold isn't the only commodity to benefit from the dollar's slide. Soybean and coal should gain further value as long as the dollar stays low.

China and other countries are diversifying their national reserves by buying copper, aluminium and other metals, including gold, thereby increasing their value, Baghdady said. "Trading is a business of risk, and, in order to trade, you have to have a mature understanding of risk. Trading is not based on logic but it does have a hierarchy."

The dollar has been decreasing in value for the past 18 months, changing commodity values across the board. Each trader will look for opportunities that arise from the psychology of the buying public – including governments – which reflects price behaviour, he said.

"The higher the price of the commodity, the greater the demand. Traders know how errors in judgement will present an opportunity," Baghdady told *Fairplay*. This can lead to placing a trade confidently and prospering from this instantaneously. **E**

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