



## Reasons to be cheerful

*Execs responding to our annual survey are buoyed by the value added they bring, the healthy orderbook and the entry of more independents, as **Mary Bond** reports.*

‘The last decade has seen a tremendous growth in our industry. The “Big Three” are controlling the mass-market sector which has led to medium and small-sized operators being more targeted in their approach,’ noted Olaf Groeger md of Columbia Cruise Services which currently manages a fleet of nine ocean cruise vessels, offering full management for one and providing technical management including crewing for the remaining vessels.

Per Bjornsen, director V.Ships Leisure said, ‘As consumer demand increases for more bespoke cruise propositions, we’re seeing an increase in smaller independent operators starting up.

This niche offering however comes at high cost to the operators and it’s something that we’re able to help them with – giving them access to our scale, systems and resources, which helps to bring their operating costs down and allows them to focus on the delivering the ultimate customer experience,’ said V.Ships Leisure whose latest addition to its fleet is Silver Muse christened in Monaco mid-April.

‘We feel that the ship management itself has reached a cross road, whereby we must be better integrated with the requirements of the clients, understand their day to day needs

and provide support beyond the standard ship managers duties. Our approach going forward will allow for total product lifecycle management,’ noted Jim Barreiro de León recently announced as president and ceo of Cruise Management International, Inc. (CMI), formed in 2015 as a continuation of the original International Shipping Partners (ISP), formed in 1990.

CMI manages 11 cruise vessels, mainly within the expedition cruise segment for SunStone Ships, and will also manage its newbuilding fleet of 150-200 passenger expedition ice-classed cruise vessels under construction in China.

Bernhard Schulte GmbH & Co. KG, a global shipping company (owning around 100 ships and managing close to 600 out of



**Booming – Expedition cruising sparking new tonnage like the 4+6 vessels under construction for SunStone Ships**

locations in 27 countries), made the decision to enter the cruise sector last July and is finalising taking management of four existing ocean-going vessels and also supervising the new construction of three other ships, with ship management to follow once the vessels are delivered, discloses Les Royle, md of Bernard Schulte’s cruise division.

‘Expedition cruising seems to be the hottest trend in the cruise sector and we have received a number of inquiries about new construction for this market. Also, we see more operators seeking additional tonnage in the 600 pax range, but there are few existing ships around at this size. We believe the next range of ships to be built will be smaller than what’s now on the order books, probably in the 50,000gt range,’ he said.

Asked what is the hottest trend Bjornsen said, minimising environmental footprint is something which we are actively in discussion with our clients, being driven by consumer demand. V.Ships Leisure has invested in ISO 14001 and ISO 50000 capabilities, ‘to enable us to offer our clients the opportunity to optimise their energy efficiency.’

Barreiro de León believes, ‘The hottest trends are driven by the demand of today, which is a dire need for small, expedition

# SHIPMANAGEMENT SURVEY 2017



**Jim Barreiro de León, president and ceo CMI**



**Per Bjornsen, director V.Ships Leisure**



**Olaf Groeger, md Columbia Cruise Services**



**Les Royle, md Bernard Schulte's cruise division**

and exploration type passenger vessels.'

Bernhard Schulte is focusing on services such as LNG, supply chain optimisation, IT solutions, hull inspection/underwater hull cleaning and the supply of fully trained, professional crews. We see 'Value Added Services' as key drivers for clients in addition to our ship management services, said Royle.

The company's ship owning entity recently ordered a highly innovative gas fuel supply vessel together with Babcock which is capable to deliver LNG to cruise ships and other vessel types, he remarked.

Crews from the Asian region is also a 'trend' with cruise companies moving in that region. Bernard Schulte has a significant crewing presence in Mumbai, Hong Kong, Tokyo, Jakarta, Manila and Shanghai, currently having over 15,000 seafarers under contract from the Asian region.

The biggest regulatory challenges are the Ballast Water Management Convention and Sewage Treatment Plans which are big cost issues,' according to Groeger.

'Space on board cruise vessels is always limited and therefore acquiring new spacious technical requirements is always challenging for any existing tonnage, unlike newbuilds which can plan the vessel's layout in compliance.

'Also, preparation for the MRV Regulation requires a lot of work to implement. We need to install new equipment to make us compliant such as: a fuel flow meter counter and main and auxiliary engine performance measurement tools. To implement a new regulation requires additional administrative workload and cost. New procedures also need introducing to the vessel and crew; for example: communication, reporting and evaluation thereof, Groeger added.

Ballast Water regulations remain a challenge for operators. The IMO BWC comes into force on September 8, 2017 and the actual requirement for installation of a treatment system is at the first renewal (five yearly cycle) of the International Oil Pollution

Prevention Certificate (IOPPC) thereafter.

'Some operators had to disharmonise their IOPPC schedule to allow them more time to find a treatment system,' said Bjornsen adding, 'especially as IMO also recently enhanced its type approval guidelines for treatment systems to make them more robust and ensure they consistently meet the performance criteria.'

The situation in the US is complex and with the USCG recently approving three treatment systems, there is demand on the market to install these for US-going ships as the USCG will no longer grant extensions easily.

Bjornsen pointed to a US court ruling which has ordered the US Environmental Protection Agency to re-write the Ballast Water rules in the next version of the VGP (due at the end of 2018). Operating a BWTS will be subject to sampling by Port State Control and additionally as required by the VGP, the ship operators themselves will need to verify they meet the type approval performance criteria.

All this will require precise BWTS maintenance and good training of the crew on how to operate it correctly, noted Bjornsen.

The rise in popularity of polar cruises and keeping pace with regulations are near future challenges for shipowners, noted all our respondees.

'The Polar Code implementation is another regulatory challenge due to additional administrative workload and the complexities to existing vessels to secure space for survival equipment for each passenger and crew on board. These issues take time to overcome and instigate,' said Groeger.

The increasing amount of environmental legislation and regulation on the maritime industry shows no signs of slowing in the foreseeable future. 'The cruise industry being the most visible segment of the industry will remain the target of environmental regulation and activism,' commented Barreiro de Leon.

Royle spoke of challenges related to European CO2 emission reporting and reduction of sulphur emissions by 2020. 'New technologies need to be evaluated and the right solution for each vessels has to be found. AMP systems in ports will become more and more available and older vessels might be retrofitted to be able to receive shore power,' he said.

A resounding yes to the question of whether they are optimistic about the future.

'Our industry has a lot of potential for growth which is seen through the shipyard order books already being full until 2021! It's an exciting time for our market with steady growth and expansion on the horizon according to Groeger.

Bjornsen offered: 'Scale and governance expertise is going to be important in supporting the growth of the cruise industry increasingly being either publicly listed or owned by private equities and we're certainly ready to support it. We're investing in our ship management proposition, creating strategically located centres of expertise, which allows us to offer a high value proposition to our discerning clients.

Royle concurred 'the number of people taking a cruise keeps growing and we see that trend continuing. We believe that even larger cruise companies will look to outsource certain aspects of their business and as a ship manager who can offer more than just management services, we feel very optimistic about our growth in this sector.'

CMI's new ceo believes, 'shipmanagers must see themselves as turnkey service providers and as the catalyst for smaller operators to expand their fleets and to lower the barriers for new operators to enter the market.'

Barreiro de Leon concluded: 'Shipmanagers must be seen as valuable partners in our client's long-term strategic objectives, not as a "short-term, support solution".'

*Thanks to all our respondees!*