



International
Chamber of Shipping
Shaping the Future of Shipping

Covid-19 Pandemic and its implications on crew changes and global supply chain

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Principal Representative of the ICS China Liaison Office



About ICS

- The principal global trade association for ship owners and operators
- Concerns with all regulatory, operational and legal issues, and employment affairs that may affect international shipping.
- Membership comprises the world's national shipowners' associations from Asia, Europe and the Americas, including the Hong Kong Shipowners' Association (HKSOA)
 - The Asian Shipowners' Association is also our regional partner.
- **November 2019:** ICS established its first overseas office in Hong Kong: China Liaison Office
 - Importance to maintain good relationship with the Chinese Government and other stakeholders within the Chinese shipping industry (e.g. CSA)
 - Presents our aim and ambition of helping to shape the future of shipping



About Edward Liu

- Edward is qualified as a Solicitor in England and Wales, as well as a lawyer in P.R. China. He is primarily a legal director of Hill Dickinson Hong Kong. Edward is also the Principal Representative of the International Chamber of Shipping (China) Liaison Office, the first overseas office of the International Chamber of Shipping.
- His main area of practice is in commercial and shipping litigation and arbitration, with significant experience in international commercial disputes, particularly in connection with Belt & Road projects. He has handled a wide variety of cases under LMAA terms and HKIAC-administered arbitration rules.
- Edward is a Fellow of the Chartered Institute of Arbitrators (CIArb), a listed arbitrator of the HKIAC, a supporting member of the LMAA, and a member of HKMAG. He began to accept appointments as arbitrator in 2018. He is also a council member of the Hong Kong Mediation Centre, an accredited mediator of the Hong Kong Mediation Accreditation Association (HKMAAL), and an international accredited professional mediator of the International Dispute Resolution & Risk Management Institute.
- Edward is also a co-opted member of the Hong Kong Maritime and Port Board, and a member of the Aviation Development and Three-Runway System Advisory Committee. The Secretary of Justice appointed him as a member of the Advisory Committee on Promotion of Arbitration in March 2020.
- He is a visiting professor at Shanghai Maritime University School of Economics & Management and regularly gives lectures to MBA and EMBA students. He is also an adjunct lecturer at HKU SPACE, where he teaches “Carriage of Goods by Sea”, a module in the BSc in Maritime Transport and Logistics jointly held by HKU SPACE and the University of Plymouth, UK.
- He has been named as a ‘next generation partner’ in the Legal 500 Asia Pacific 2020, one of the ‘Top 10 Maritime Lawyers in 2019’, and one of the “Top 100 Most Influential People in the Chinese Shipping Industry” twice in 2018 and 2019 by Lloyd’s List.
- Additionally, the first order from a mainland Chinese court for interim measures in aid of arbitration administered by the HKAIC under the new arrangement was successfully obtained by Hill Dickinson Hong Kong with Edward’s help.



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Background

- Hong Kong is experiencing the 3rd wave of Covid-19 outbreak
- More than 100 new infections per day since 26 July
- Relaxed requirement since **June 8**: unrestricted sea crew change in Hong Kong waters, including those without cargo operations
 - Exempt from 14-day quarantine
 - Movement restricted to their ships and the accommodation
 - ~10,000 sea crew members granted quarantine exemption to date
- People blame the easing of crew change restrictions for the fresh outbreak



Shipping associations' opinion:

- HKSOA and the Hong Kong Seamen's Union both advised the government to further tighten crew change policies.
- **HKSOA:** only allow Hong Kong-flagged ships and ships of locally registered companies to perform the activities for 2 weeks and impose penalties on any parties found to be in breach of the relevant laws.
 - Recommended that their members suspend crew changeover in the Asian maritime hub for three weeks.



Government's response

- New requirements since **July 8**:
 - Incoming seafarers arriving at the airport: must present negative Covid-19 virus tests beforehand
- New requirements since **July 29**:
 - Crew members on ships with cargo must stay on board while the vessels remained in Hong Kong waters
 - Outgoing crew members completed their service: remain on the ship until being point-to-point transported to the airport (avoid contact with the community)
 - Incoming seafarers arriving at the airport: same as above



Importance of crew changes



Current situation

- ~1.2m seafarers currently in service on about 55,000 maritime ships worldwide.
- Normally 200,000 of them change each month as their period of service on board ends
- 300,000 seafarers with expired contracts stranded at sea
- Another 300,000 unemployed and unable to join their ship, affecting the lives and livelihood of nearly 40% of the world's 1.5m crew
- Shipowners and shipmanagers facing the largest ever humanitarian and logistical crisis
- International Air Transport Association (IATA) and ICS are jointly calling on governments to take urgent action to assist in crew change flights for seafarers
- Other major ports in the world have made special arrangements to facilitate crew changes.



Supply chain problems

- Shipping is the the facilitator of the world supply chain, which is indispensable for human beings
- Affect Hong Kong's ability to access world goods, such as food and medical supplies, and would have an impact on global trade
- Seafarers are key workers who need to be able to get to and from work
- Many seafarers have extended their contracts to ensure that countries are kept supplied with food, fuel and vital products, including medical supplies



Mental health

- About 25% of seafarers from 1,200 have been at sea for 10 months or longer
- Being aboard for too long affect mental and emotional health negatively
- The plight of depressed, anxious and exhausted seafarers is one of the most distressing tragedies for its sheer scale, longevity and invisibility.
- Increased fatigue from **prolonged service** on board vessels, fear of **coronavirus contraction**, and the wish of **reuniting their families** (Seafarers Happiness' Index)
 - Risks the ship's safety, contravenes the standards set by the Maritime Labour Convention (MLC), and poses impacts on insurance premiums in the future
 - Resignations or refusals to sail



Human rights issue

- Contravenes **international maritime regulations** in place to protect the life, health and welfare of seafarers and avert environmental disaster
- Amounts to mass human rights breach, raising concerns over forced labour
 - Seafarers “must not be deprived of the basic human rights that everyone else benefits from. They need to be allowed home now, because the line between workers’ rights and forced labour is a very thin one”. (Maritime union Nautilus International)
- Knock-on effects in the slowing of global trade and the gradual dismantling of the global economy



Legal issues

- Advice from **International Labour Organisation**: Duty to take reasonable care for the **health, safety and welfare** of their seafarers even during COVID-19.
- **The Maritime Labour Convention 2006 (MLC) and Covid-19**: inform seafarers the reasons to stay on board, and a Seafarers Employment Agreement (SEA) must remain in force until repatriation.
 - Expired SEA must be extended / issue new ones on the same terms and conditions.
- **MLC**:
 - Shipowners need to **assist and support** the **sick crew member** during their employment
 - Ship captains should notify the port health authority at the next port of call for suspected COVID-19 case and provide **medical assistance**
 - The following **costs** should be covered:
 - (1) medical treatment and any medication;
 - (2) food and accommodation until the crew member has recovered/ his sickness has been declared permanent
 - (3) full wages while the crew member remains on board or until they are repatriated
- When the seafarer has been repatriated, they are entitled to wages as detailed in national laws or regulations or as provided for in collective bargaining agreements until they have recovered



What has been done by the ICS in the past few months on crew changes



Letter communication

- **Feb 2020:** letter communication between our President Mr. Esben Poulsson and our Secretary General, Mr. Guy Platten, and Mr. XU Lirong and Mr. ZHANG Shouguo, President and Executive Vice-President of the CSA
- Show support and sympathy to the Chinese shipping community during this devastating coronavirus outbreak.
- Both Mr. XU and Mr. ZHANG expressed in their reply that CSA is willing to collaborate with ICS to minimise the negative impact of epidemic on shipping industry.



Guidance to shipowners and the shipping industry

- **January guidance:**
- Advise our membership to take steps that limit the spread of COVID-19 following the WHO recommendations
 - WHO: if certain measures were taken, there should be no “unnecessary restrictions of international traffic”, meaning ports and global shipping could continue to operate.
- To **shipowners**: providing exit screening at ports in the affected areas, implementing health information campaigns and collaborating with public health authorities
- Avoid the needless closure of any port, so that shipping could continue to be the conduit for 90% of world trade



➤ **Early March:**

- For **shipping industry**: 22-page guidance in collaboration with the WHO, the International Maritime Organization (IMO), the European Centre for Disease Prevention and Control (ECDC), and the International Maritime Health Association (IMHA).
- Advice on managing Port Entry Restrictions, Pre-boarding Screening, Education, and dealing with Suspected Cases of Infection.
- Practical Protective Measures Against COVID-19 for Seafarers, including an Outbreak Management Plan.
- Posters to be printed out and placed onboard ships, a Sample Pre-Boarding Passenger Locator Form and a WHO COVID-19 Support and Logistics Supplies List.



➤ Late May:

- Updated 48-page guidance for the global shipping industry: with the same prominent international bodies and the International Labour Organization, to ensure ship operators and crew can safely deal with seafarers struggling with medical conditions during COVID-19
- Alarming reports that some seafarers suffering from non-COVID related medical conditions denied medical attention by port authorities.
- A reassurance to national governments and port authorities that crew changes could and must be carried out in a **safe** and **effective** manner especially when there were critically ill crew members on board.
- Comprehensive recommendations on safe port entry, shipboard measures to address risks associated with COVID-19, managing an outbreak of COVID-19 on board ships and other medical issues were provided.
- Ensured that no other seafarers were subjected to prolonged period without medical assistance if they needed it.



Assisted the IMO in “the 12-step plan”

- “Recommended Framework of Protocols for Ensuring Safe Ship Crew Changes and Travel during the COVID-19 pandemic”
- Assisted the issuing of the 12-step plan to 174 member states, assisting governments to put in place coordinated procedures to facilitate the safe movement of seafarers, providing them with a roadmap to free seafarers from the COVID-19 lockdown and allow appropriate exemptions from them to join or leave ships.
- Calling shipping companies or masters to fill in the Crew Change Report Form for every successful or unsuccessful crew change attempted during COVID-19, to encourage Governments to implement the 12-step protocols.



Joint open letters to different parties

- To UN agencies (**March**): we and the International Transport Workers' Federation (ITF) requested for seafarers being treated as other international key workers and be granted appropriate exemptions from any national travel restrictions when joining/leaving their ships, to keep the world's maritime supply chains functioning.
- To the UN Secretary General (**May**): we, International Trade Union Confederation (ITUC) and ITF urged to ensure governments were adopting the "12-step protocols"
- To G20 leaders:
 - With the International Association of Ports and Harbors (IAPH) to call for immediate action to protect global supply chains from the impact of COVID-19.
 - With ITF to call on governments to show respect for seafarers and coordinate a global strategy to ease restrictions and facilitate the changeover of ships' crews.
- We and the International Air Transport Association (IATA) jointly called on governments to take urgent measures to facilitate crew change flights for seafarers



#HeroesAtSeaShoutout initiative

- Ships across the world sounded their horns to remind governments of the plight and sacrifice of the world's 1.2 mil. seafarers who were keeping the world supplied through the COVID-19 pandemic, and highlighting the need for action by governments to facilitate crew change immediately
- Our new research in **May**: for users of our ISD Watchkeeper software, incidents of non-conformities continued to drop to increasingly lower levels over the past year
 - From 4,000 ships operating across the world, showed that the seafarers were still able to get the important rest and the breaks



Global Supply Chain problems caused by Covid-19



Supply shocks

Large-scale production suspension across the world

- Many important manufacturing hubs are put under lockdown or in mandatory quarantine
- E.g. disruptions to the availability of goods sourced from China at the start of 2020;
 - Both finished goods for sale and products used in factories in developed markets.
 - Companies scrambled to sort out what production was feasible, and what demand could be met
- Quick impacts on the supply chains, affecting suppliers, downstream partners and logistics businesses that work with those manufacturers
- Even before the nationwide lockdown, many factories were shut down or scaled back their production due to quarantine requirements or precaution.



Supply shock

Logistic disruptions

- More countries implementing stringent virus containment and prevention measures, moving goods within and out of certain countries becomes difficult and costly.
- The increase in the number of workers in quarantine leaves ports, warehouses and trucking services short-staffed.
 - Logistics in Europe would see a slowdown in the turnaround speed of containers, which will lead to container shortages in Asia (Lars Jensen, chief executive of Sea-Intelligence Maritime Consulting)



Demand shocks

- **Systemic demand shocks:** stock up consumer staples like daily necessities, and food, while decreasing spending on other goods
- A global economic recession and a slump in global demand weigh more heavily on supply chain stakeholders than a temporary production shutdown is
 - Large-scale shop closures and low spending on goods
 - Cargo owners are reducing and postponing ocean shipments from China to North America, a sharp reversal when retailers were accelerating shipments to replenish inventories due to the prolonged factory shutdown in China.
- Business closures and layoffs could further stifle consumer spending.
 - Ripple through the whole supply chain, pushing manufacturers, particularly small and medium-sized factories, toward the edge of bankruptcy.
 - Lead to a permanent and structural disruption to global supply chains.



Thank you!

