

**TEXT OF TALK GIVEN TO THE FINNISH SHIPBROKERS ASSOCIATION  
ON THE OCCASION OF THEIR 75TH ANNIVERSARY AT HELSINKI,  
10TH FEBRUARY 1995 BY J.W. BARCLAY FICS, MCIT, FIFF.  
PRESIDENT OF FONASBA.**

Ladies & Gentlemen, I am very pleased to be addressing you today to mark the 75th anniversary of the foundation of the Finnish Shipbrokers Association especially because 1920 was clearly a very special year in shipping because in the UK in January of that year The Institute of Shipbrokers was granted its royal charter by His Majesty King George V, resulting in the present day title, The Institute of Chartered Shipbrokers. However today I am representing a relative baby, speaking to you as President of FONASBA. We celebrated our 25th birthday last year and it was then that I was first invited to come to Helsinki today and speak to you; in the comparative warmth and humidity of Taiwan in September, some brisk north European winter weather seemed quite attractive. I have to say that now I am not so sure that I do not prefer those warmer climes. I was last in Helsinki in 1982 - I was amazed when I checked the date and found how long ago that was, but I clearly remember the wonderful hospitality of the Finnish Shipbrokers at that Fonasba Annual Meeting just prior to my good friend Finn Stangeby taking the Presidency. I really am pleased to be back.

I am not sure how it is in Finland but it is certainly customary that preachers in the UK have 3 points and they always make them 3 times. First to tell you what they are going to say, then to say it and then to tell you what they have said. I have not so much 3 points as 3 broad fields. My first is to tell you what FONASBA is doing at present and that will include some comments on the problems that all of us in the ship broking and agency business face today. The second area I would like to cover is that of quality and maintenance of standards within our profession and finally the challenges we might see in the future.

It was just a year ago that a London bound Air Zimbabwe flight was diverted to Marseilles because of weather but at which airport the airline had no handling staff or credit facility. The plane was refused permission to take off until £2,000 had been deposited to cover the landing and re-fueling costs with the airport authorities. The crew had no money. Even following an appeal to passengers to raise cash by passing the hat around, the problem was not solved but finally a public spirited individual (presumably with an important appointment in London) provided his credit card - "That will do nicely" said the airport and the plane was allowed to continue to Gatwick. The moral in the context of our own business, is for the owner to make sure the agent is appointed in advance (and in funds!). It couldn't happen in our industry we might say but here are two headlines from last Sunday's 5th February edition of one of the leading national UK quality newspapers - The Sunday Times - "Crews starve on stinking ships trapped by debt" and "Stowaways killed to avoid red tape".

While the two articles mainly attack irresponsible owners - agents and brokers were also drawn into the firing line because they were on the spot where the problems occurred. This digression in my talk serves to emphasise the underlying reason for FONASBA to protect and promote the standing and recognition of shipbrokers and agents internationally.

A question frequently asked in FONASBA member associations, is "Why FONASBA? And what do we get for our money". The "why" can be summed up with the overworked words: "If it was not there, then we would need to create it." Remember, there are always questions, problems and regulations affecting shipbrokers and agents worldwide which require to be addressed through an international forum. There are also matters that affect individual countries which need to know what is happening in other places.

For example, topics discussed through FONASBA included a question from Portugal, a country where the government is considering the introduction of a post entry Customs clearance for exports. UK representatives were able to explain to FONASBA how the CRN system works. Also, Solvenian line agents have been asking for advice in order to counter cross-border competition from overseas agents, whilst Belgium needed information on the treatment of VAT on ships' disbursement accounts in other E U States. Brazil are currently being given assistance in recovering disbursements.

The exchange of this type information takes place throughout the year, either via the FONASBA secretariat or through the Federation's range committees which deal with matters on a regional basis.

The greatest part of FONASBA's work is carried out by its committees and sub-committees. The annual meeting, therefore, is in many ways a time for reporting and discussion on the year's work rather than a time for specific action. This perhaps disappoints some of those who attend annual meetings and are less involved in the ongoing activity.

The following brief resume of matters dealt with at the 1994 FONASBA annual meeting in Taiwan in September may assist towards an understanding of what derives from FONASBA as well as of its input.

The first session concerned the Liner and Tramp Committee where individual range committees reported mainly on agency matters. The North Continent Range Committee drew attention to an IMO convention on hazardous and noxious substances (IMS), targeted for adoption in 1996. There are current amendments to the proposals which could result in intermediaries and ships' agents being caught in the net of those specifically responsible for compensation in respect of pollution. National associations were recommended to raise this with their own governments.

The status of agents, remuneration for liner agents and port agency fees are always subjects for review at this meeting. Some member countries enjoy national government recognition or licensing; others are trying to make progress in this area; whilst yet others are losing the recognition they already have. FONASBA provides the forum where national associations can exchange experience and support. In the context of agency fees FONASBA, through its European Committee ECASBA, has been negotiating with DGIV, the competition directorate of the EC, regarding exemption for scales of agency fees from the competition rules. Liner agents' remuneration is an ongoing subject because of the fundamental changes in the structure of the liner trades. Most recently, members of the Japanese association have been facing particular problems because of the high value of the yen. FONASBA have a currency adjustment clause in the SLAA but we are currently finalising a free standing version for press release.

Both liner and port agents are increasingly affected by documentation requirements. The new bill of lading requirements under UCP500 have been the subject of much discussion. At the same time there is continuing work resulting from the shipping division of UNCTAD which has issued papers in the last year on multi modal transport, liberalisation of shipping regimes, guidelines for trade efficiency in Customs, transport etc, and a review of activities of the UNCTAD shipping secretariat work programme. A considerable effort is put in by FONASBA in this area by way of "regulation watching" and this means attention to a great deal of paper.

I have already mentioned the European Community Association of Shipbrokers and Agents (ECASBA) as a committee of FONASBA. The European Commission (EC) will only negotiate with "European" bodies, so, ECASBA has been formed to represent the eleven European Union (EU) maritime nations plus the three new members - whom I am not sure whether to congratulate or commiserate. Current exchanges relate to SAD documentation, Veterinary Controls (VCR), CAP Controls, Accompanying Administrative Documents (AAD) and VAT on ships disbursements.

Contacts are established with DG 4 - Competition, 7 - Transport, 21 - Customs and most recently 6 - Agriculture on CAP/Control of Food Hygiene. However, it is difficult to highlight achievements in these areas as they are often in the context of stopping or amending disadvantageous regulations rather than positive development.

ECASBA is also a member of the European Maritime Industries Forum which is sponsored and chaired by a European Commissioner (usually from DGVII) and comprises the European associations of many maritime interests as well as governments, policy groups and academics; FONASBA sits alongside the European shipowners' and ports' associations.

The Maritime Forum has run a very broad programme in recent years but currently the two main issues are the development of short sea traffic which is supported by the EC as an environmentally desirable project, and a policy group on the development of EDI.

The other standing committee of FONASBA covers chartering and documentary matters, embracing sale and purchase and tanker sub-committees as well as dry cargo.

This session tends to be less complex because an even greater part of its work is dealt with by correspondence and in conjunction with the BIMCO Chartering and Documentary Committee and other interested parties. 1994 could be considered a quiet year - 1993 had seen the completion of revisions of the NYPE and the AMWELSH charterparties as well as the introduction of VOYLAYRULES, so some breathing space was indicated. More recently work has been completed on BIMCO standard law and arbitration clauses. Further, an international brokers clause, drafted in conjunction with BIMCO and the Baltic Exchange, is still being developed. There are a number of other charterparties being considered for longer term future revision.

The final part of the annual meeting is concerned with the Council meeting of the Federation, including the formal parts of the two meetings I have already mentioned.

Membership matters are also dealt with. Thirty-one countries are currently represented by national associations having full membership and a further three countries are represented by associate members where no national association exists. There are also four club members, including ITIC. Among the new members are Iran, Lithuania, Saudi Arabia and Vietnam and now Yemen. Talks at present are taking place with Egypt, Romania, Pakistan and Hong Kong.

As might be expected, FONASBA maintains contact with other international bodies. I have referred to its observer status at Unctad; there is also similar status on BIMCO's Chartering and Documentary Committee. Additionally, contacts are maintained with Intercargo and Intertanko whilst application has been made for consultative status with IMO. All this is designed to ensure that the Federation preserves a prominent role for shipbrokers and agents in the international forum.

As President of a Federation, one looks for a theme. Mine was prompted by this year's meeting rather than arising from my own original thinking. I decided I would concentrate on "quality, ethics, standards, professionalism", all recurrent words voiced in the various discussions.

A few years ago, FONASBA co-operated very closely with UNCTAD on the development of "non mandatory rules for shipping agents" which defined the basic standards under which a shipping intermediary should operate. The 1994 meeting decided that it was time this question was re-examined, so a working group has been formed to carry the matter forward.

Co-incidentally, it had already been arranged that I would deliver a paper on the ISO9000 Quality Standard.

So this brings me to my second topic and that of quality. The UK originated and is thus to blame for the concept - British Standard BS 5750, ISO adopted it as ISO9000 and the EC copied it as EN29000. When the British Standard Institute decided it was time to renew it, with bureaucratic skill they called it BSENISO9000.

We in the WHL Group embraced the concept of ISO 9000 about 5 years ago and shortly after my return to the UK we will be receiving our triennial inspection from Lloyds Register. For those who are not aware of the way in which the quality standard operates it is rather like owning a ship in so far as you are surveyed at regular intervals and you pay someone else to come and tell you what is wrong. In the case of ISO 9000 one receives a complete review every 3 years in addition to an ongoing audit every 6 months. I do not propose to address the technical aspects of operating a quality system but to make some personal comments on the impact it has had on our own organisation.

In reflecting on what benefits have been seen to accrue from the accreditation, it is necessary to look back at the original aspirations.

The WHL Group comprises companies involved in liner agency port agency and logistic services, inland transport services, NVOCC and general forwarding and all companies have been approved at all operating locations. The initial spur to consider quality assurance to what was then the BS5750 Part 2 standard undoubtedly came as a result of pressure on the liner agency companies by some of the major UK manufacturing exporters including the base chemical industry. It was perceived that a quality assurance management system would be a marketing tool in presenting the agency's services to those clients.

There was a high level of cynicism, some of which exists to this day, regarding the ability of a QA management system to improve to a measurable extent the services provided by the Group operating companies. The philosophy undoubtedly was that operating in a highly competitive service industry we survived only because we offered a consistently good quality of service. How were we then to achieve a significant improvement justifying the expenditure on a fully audited and assessed QA system?

The first requirement of the standard is that there is a management commitment to the provision of quality services and a statement to this end. In this area the formalisation of a group commitment to quality has probably made little difference. Indeed it could even be said that the informal view of the standard of services that we should provide is probably at a higher level than the Group's quality policy actually calls for.

The formal Group quality policy provides for the fact that those who pay for 'Minis' do not expect Rolls Royces. Yet individual staff in day to day applications try to work to the highest standard, to this extent it could be said that we over achieve the requirements of the standard.

The requirement for documented systems has been of benefit in that it requires that the system is established and documented to ensure that there is conformity to the specific requirements of the client.

In practice in a transport services organisation this has its greatest impact in the proper use of owners instruction manuals, tariffs and similar basic reference documents rather than in the written procedures and instructions covering particular aspects of the work.

While it is useful to have written down the procedure for taking a container booking and subsequently creating a bill of lading, this is a fundamental part of our business and our staff can reasonably be expected to know how to do this properly. The aspect that has been more dangerous in the past has been making formal quotes from out of date tariffs or referring to other obsolete references, including for example customers' names and addresses. A properly documented system in conjunction with the procedures to control the use of documents has all but removed this problem. Source information in all offices and departments is now extremely reliable.

The standard requires us to ensure that before business is undertaken the requirements of that order can properly be handled. The very nature of the shipping services industry and in particular the ships' liner agency operations have meant that this has limited impact on our activity. Much contract review is verbal and informal. The requirements of the standard are established for manufacturing industries and their application in service industries is rather different. Especially in a general forwarding environment where the 'contract' may be to get the cargo from point A to 'difficult' point B, with at the time of acceptance little idea of how the requirement might be met. The wording of the standard has to be stretched nearly to breaking point to make it relevant and although the 1994 revisions to the standard have improved the compatibility, they are still well removed from the reality of a largely verbal contract system which is not based on a specific catalogue or price listed inventory.

In the transport service industry purchasing is primarily concerned with the selection and evaluation of sub contractors. This has been a valuable discipline for the Group companies, particularly in the forwarding activities. It has been difficult to operate in certain areas, e.g. the continental haulage spot market, where sub contractor choice is almost entirely vehicle availability and price related rather than based on any specific appraisal of the quality of service provided.

On the other hand it has proved to be a very useful management tool in ensuring that line management take specific and responsible steps in evaluating facilities when for example a new warehouse or depot is proposed.

Documented procedures must exist to ensure traceability of the product through all the stages during which service is being provided. This is second nature in our business whether it be the documentation of goods in warehouse, container or truck inventory systems or cargo loading and outturn reports. We have therefore found no problem in showing that effective systems exist. In actual fact it has been more difficult to document satisfactorily the way in which the different controls are imposed.

The standard requires that there should be procedures to identify 'non conformances'; that is, errors or failures in meeting customer requirements and to take corrective action and prevent repetition.

There are many errors which can occur in our industry ranging from minor documentary mistakes such as mis-spellings in bills of lading to major errors such as a failure to order ship's services or cargo being sent to the wrong place. There is also the problem that a minor clerical error can have totally disproportionate consequences. Fully documented systems have led to reductions in the number of errors but there is no doubt that there is under recording and therefore non investigation of minor failures. It is easy enough to record when a late vehicle loses a booking or a late ship results in the cancellation of cargo, such failures are well documented outside the quality assurance system as well as within it. It is more difficult to measure and control the minor irritations, often errors at a low level in handling paperwork or telephone calls where corrective action is self imposed and more or less immediate.

Handling, storage, packaging, preservation and delivery is a heading of a particular section of the standard and is of course written in the context of the product of a manufacturing process continuing to be subject to quality surveillance after the production process is completed. In a ship services context the whole business is concerned with this part of the activity and therefore one might almost say that this section in isolation becomes irrelevant.

The long term filing of the large volume of paper that is inseparable from the transport business is a problem area because the quality records have to be accessible for both internal audit and external surveillance and evaluation. The imposition of this requirement has caused the Group to address the problem with a notable improvement in its ability to deal with late accounting and other enquiries.

The greater part of all training in this industry is "on the job" and this tends to lead to little review of clerical staff progression through training in their job functions. The need to keep proper training records of staff needs and progression has also resulted in line managers paying greater attention to this aspect.

Is it all worthwhile?

A key criticism often voiced of the ISO 9002 standard is that it is the measure of the quality of the paperwork not the quality of the workmanship and essentially one has to agree with this definition in a service industry application. The only measurable evidence is the paperwork. There is no physical product that can be tested to destruction. It is also an expensive exercise when the total internal costs of management and staff are added to the direct costs paid to the assessing body for initial approval and subsequent surveillance visits.

When WHL Group first addressed the question of quality assurance it was seen predominantly as a marketing tool.

It is true to say that the Group companies approvals have earned it little new business during the years of operation but the very rapid acceptance of the standard throughout the UK transport service industries almost certainly means that some business would be lost without it. It is interesting to note, however, that particularly in international freight transport, price still matters more than service quality. If asked would we do it again the answer would be yes, the benefits that have stemmed to the Group had been the benefits that come from operating with reliable well documented systems that are followed and which, linked to the Group's sophisticated transport service computer systems, do lead to a relatively error free and reliable operating environment. We believe that our customers have become accustomed to that trouble free level of service and for the most part that is what any principals seek.

I have to own up that I have now spent more than 40 years in this shipping business of ours. My first job was in the Royal Docks in London, then a veritable mecca for the shipping enthusiast with at any time 30 - 50 deep sea merchant vessels flying the house flags of all the traditional and well established North European lines but it was a scene that would have been just as recognisable to someone from 40 years previously. Ships with funnels amid ships, derricks, hatches and a cargo in bales, bundles and cases form a scene that is totally alien to junior members of staff today. We have seen a colossal change in our industry through the last 3 decades.

I read this afternoon of your own concerns for the future, especially the threat of exporters, merchants or owners taking over the brokers work.



I remember sitting in a management meeting around 1970, when the sole topic on the agenda was whether my employers of that time as port agents, liner agents and dry cargo chartering brokers could survive the next decade in the face of containerisation as well as the growth of owner or charterer in house agency and chartering departments and the development of the "big is beautiful" economy of scale concept in shipping. 25 years on from there much has changed but there is still a very healthy, creative and thriving business for those shipbrokers and agents who have developed their business during these changing times. It has not been easy and will not be easy for the future but there is an English proverb "where there is a will there is a way" and this could easily form part of a future motto for our business. This takes me on to my final thoughts, the challenges ahead or emerging problems. I noted that next month in Stamford Connecticut, there is a conference combining two words of that, titled "Emerging Challenges". Among the sponsors are our own American members, ASBA The Association of Shipbrokers and Agents in America, as well as BIMCO, Intercargo, Intertanko and other friends. I glanced through the so called challenges that are on their agenda and these seem to be more problems than opportunities. The subjects were some of today's headline makers, safety together with environmental protection, port state control and other aspects of the regulatory environment, the relationship between shipping and emerging economies. These are some pretty heavy and somewhat depressing subjects. On the other hand it is not all downside with three cocktail parties and a Gala Dinner thrown in.

We seem to live in a contradictory age, on the one hand a broadening of free trade and reduction in controlled or centralised economies, but against a background of greater specific regulation. The front page of the December issue of 'The Intermediary', the magazine published by ITIC, The Shipbrokers P & I Club had the headline "Ship agents and new legislation" and a sub heading that "there is a growing tendency worldwide to place new burdens and liabilities on new agents". They cited by way of example American, British and Spanish acts of legislation each placing some eventual liability on the agent rather than the ship owner or operator. This is an area where there is a strong future role for FONASBA. I have already talked about its position as a regulation watcher, I suspect this is going to become more important in the future not only within Europe but throughout the world. Perhaps this is the down side.

What is there that is positive? The information highway, or seaway, where despite an American system proposed 15 years ago, we are still awaiting the paperless Bill of Lading. I recently attended a meeting in London between the UK Chamber of Shipping and the Institute of Chartered Shipbrokers on the one hand and fourteen International Banks to discuss letter of credit documentation. It was established that the banks own specimen documentation reflects historical bill of lading practice rather than present requirements.

There is much to be done in this context.

On the plane from London to Rotterdam on Wednesday, I sat alongside an American computer hardware expert on his way to Gothenburg, where he is to install a computer controlled cargo identification system, one part of the fast developing move towards unmanned terminal operation.

There are currently two different future developments in liner shipping. The one most talked about is the post Panamex container ship and it remains to be seen whether the 6,000 plus TEU vessel will be ordered and whether it can usefully produce further economies of scale beyond those already achieved by the current generations on order but in the shorter term it is the shorter sea routes that may see some dramatic development. We are currently seeing and I have already spoken about European initiatives to re-emphasise short sea shipping. This could be very important not only in conventional terms but especially in the context of the development of the super phase cargo liners. The 1,000 ton 50 knot vessel is well beyond the drawing board in Japan and modern technology in hydrofoils or air cushions has a great impact on the traditional barrier of fuel costs in the search for maritime speed. Stena Sealink will introduce large vessels on the Irish sea this year with their two HSS ferries now building in Finland, primarily designed for cars and therefore more akin to the high speed passenger ship they do nevertheless have a freight capability and they will halve current passenger times between the UK and Ireland.

There is also current thought being given to a high speed cargo service between Gothenburg and Zeebrugge and this type of development could lead to a new pattern of intra European trade developing as ships could become competitive in the cost/time calculation.

In the wider field it might be hoped the pressure of regulation will start to impact on sub standard ships, resulting in eventual scrapping and a hoped subsequent strengthening of the market although there is still reluctance to pay for quality.

Finally, and this is actually a fourth point but I have also learned today of your new education programme. I would endorse the importance that you have placed on this matter as with you I believe it has such a great impact and importance in the quality of the performance of our business. You may know that ICS has a very strong emphasis on education and today it is I believe more effective than ever, their Director of Education is currently in Karachi. I would not wish to compete with your arrangements but the ICS exams are open to all and perhaps some of you successful candidates might wish to go on to secure the additional English qualification of MICS.

I have just said that one of the essential requirements is education and staff training. We have a very tight personnel profile for water clerks which reads something as follows:-

'Short hair for conservative captains, long hair for progressive captains, big brain for ships name, berthing instructions and constant changes. Big ears for rumours and hearing the approach of company directors, owners and government officials. Wide mouth to smile at everyone without effort. Large nose to assess ships cooking and changes in the wind. A telescopic arm for handshaking and spiky elbows to retain position at the bar.

Finally a thick skin for protection against cursing captains, obnoxious owners and murderous managers. All to be accompanied by the inevitable glass ball for predicting the future'.

Ladies and gentlemen I wish to congratulate the Finnish Shipbrokers Association on their birthday and hope for a future 75 years of successful business.