**E-Commerce and Ship Chartering**



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Technology and shipping industry are intertwined. Owing to advancement in technology, last century had witnessed many great changes in the shipping industry. More reliable steam, and afterward, motor ships had made delivery of goods possible across oceans with somewhat accurate itinerary. During last half of the 20th century, passenger airliners had made delivery of perishable goods traditionally delivered by ship, possible within a span of less than 24 hours across the globe. However, later it was realised that passenger airliners do not serve the purpose as passengers being priority over cargo and ships are too slow for perishable and high value goods, this gave birth to air cargo industry i.e. FedEx, DHL etc. that had flourished over the years by serving the needs and desires of the end consumers. The other impact of technological advancements is drastic reduction in shipping cost to the extent of affordability of end consumers.

Dot com revolution during the last decade of the 20th century had reshaped almost all industries and world market place had changed all together. People with innovative thinking have reached out to end consumers and has eliminated many intermediaries. Online shopping is growing 4 times faster than actual market place due to product availability, more choices and substitutes, ease of transaction and reliability in delivery timeframe. Merchandise arrives at consumers’ doorsteps at their convenience and consumers have little or no botheration in comparison to purchases from traditional market place that seem time consuming and some time not convenient at all. Companies had reached out direct to end consumers (customers of their customers) and had offered them better services with value addition and process simplification. This has in turn made the things easier for end consumers and at the same time this has added to the complexities of supply chain and created opportunities for ancillary industries to serve the very purpose of end consumer convenience.

Online shopping like ‘amazon’ and ‘ebay’ are amongst pioneer of E-Commerce at mass level and had reached out to end consumers by offering wide range products from groceries to books, without any hassle of going out to market place and online purchases arrives at consumers’ doorsteps with little or no additional cost. Online shopping gained popularity in working class as it perfectly matched their life style. Online shopping has now become a serious threat to traditional market place and many traditional market places are following the suite by offering online shopping service of their merchandise for sake of their survival.

The most recent example of E-Commerce success is ‘Uber’ and ‘Careem’ taxi services in many countries that had changed the concept of traditional taxi service by utilizing the latest technology and mapping services available to end consumers. ‘Uber’ and ‘Caream’ are approaching direct to end users at little or no additional cost and connect them to service providers or drivers who are willing to provide their services at pre agreed rates and terms, and of course at their convenience. The other recent example of E-Commerce is ‘Rodies’ that has used the concept similar to ‘Uber’ and ‘Caream’ for delivery of goods, merchandise, mail etc. intercity and Intra-city.

Dot com revolution has also some great impact on shipping and related industries. Container shipping was the 1st segment within shipping industry to utilize the intranet and internet more effectively and reap benefits. Almost all container liner companies have their own online portals for their customers where they provide various information related to booking, vessel schedule, in transit containers and delivery of containers at final destination etc. Recent development in this segment is use of RFID wherein container shipping companies offer their customers real time tracking of their containers and merchandise. The other shipping segment that moved towards E-Commerce is Port Terminals handling all sorts of cargoes i.e. containers, dry bulk and liquid commodities. By making use of technology, port terminals are offering real time information on the cargo movements to their customers and by offering online invoicing and payments without need to visit terminals for various administrative requirements.

Some people say ‘Tradition Doesn’t Die’ in shipping industry and this expression is true to some extent. This is the only reason that even today with all advancement and availability of technology, ship masters are required to sign 3 sets of Bills of Lading upon completion of loading. Some innovative minds had created online portal for Bills of Lading exchange of E-Bills of Lading but due to varying standards world over, this on line portal did not gain popularity and phased out. It did not serve the purpose of vast majority of users and at the same time, it failed to get the approval from major banks that do financial transactions of cargoes worth trillions of dollars due to cyber security concerns and some legal issues involved.

As far as chartering business is concerned, the concepts of E-Commerce can be applied to create an online portal where ship owners and charterers can fix their ships and cargoes. However, looking at the various different scenarios, E-Commerce has little implication on the ship chartering business due to following reasons;

* Chartering business is B2B sales and no end consumer is involved in the transaction. In B2B sales like ship chartering, market players are limited or few in number (with exception of container shipping) in comparison to other industries where very large no. of users are involved.
* Each trade is different and has its own peculiarities. Likewise, each ship owner has his own preference and choice where his ships are to be employed. It takes great deal of pursuance through intermediaries i.e. ship and cargo brokers, to get a party change its mind to strike a deal that is a win-win for both parties. An online portal can be useful in finding a ship or cargo but chances of striking a win-win would be remote.

As each trade is peculiar and has its own fundamentals, so there are no standard contracts. Even in Tanker shipping that is dominated by only few major players i.e. Oil Majors, there are various different charter party forms that too with rider clauses to suite the peculiarities of a trade. In ship chartering, choice of charter party form or contract is very important as a wrong charter party form can cost a fortune to any company. Chartering business requires great deal of negotiations to agree upon numerous charter party terms and wordings, even with the right choice of charter party form. With online portal for ship chartering, it will be difficult to agree upon the terms if it will be left to parties to respond at their convenient timeframe as parties are often based in different time zones, in comparison to other E-Commerce businesses where things are left to the convenience of consumers.

* Ships are not standardised and each vessel has its own particular characteristics that may or may not make it suitable for a particular trade. There are many vessel characteristics that need to be considered before fixing/chartering and ‘Vessel Standard Questionnaire’ i.e. Q88, BP Questionnaire, Baltic Exchange Chartering Questionnaire etc. does not describe all those vessel characteristic and always some additional information is required from owners and ship master. An online portal would delay the necessary information flow and ships otherwise suitable for that particular shipment would be filter out or shocking surprise to parties after fixing a vessel that is not suitable.
* Chartering business is not subjugated by one party as in other E-Commerce businesses wherein one party dictates its own, often standardised, rates and terms of contract and other party, usually consumer or customer, accept the rates and contract terms without any amendment. In chartering business every time, it’s new and somewhat different contract even if it’s based on ‘Last Done’ basis. In ship chartering business, market strength and weakness is reflected in contract terms and not only in rates. A terms agreed previously may not be acceptable in new contract and vice versa.

BIMCO and other organisations have promoted the standardization of charter party forms for so long and advocate that market strength and weakness to be only reflected in rates but reality of the market is otherwise.

* In ship chartering business hefty sum is involved as voyage freight may run in millions of dollars and often paid upon rightful delivery of goods at destination whereas in other online or E-Commerce businesses a very little sum is involved in comparison and often paid in advance of delivery of purchases or services rendered. It will be difficult for ship charterers, especially new to owners or new entrant in the market to win owners’ trust that owners will receive their lawful earnings. In case of advance payments, charterers cost of doing business will increase and online portal will become inconvenient to charterers. Will online portal for ship chartering be able to provide the vital background check of the parties as traditionally provided by the shipbrokers? Who will take the responsibility in case of maritime fraud? Who will bear the huge cost in case of bad incident(s), online portal for ship chartering or effected party? How an online portal will not violate the principals of ‘Free Market Economy’ as widely practiced by shipping worldwide? The above are among few questions remained to be answered while eliminating human interface from shipping business.

Despite the various factors mentioned above, an online portal where owners place their ships and charterer place cargoes for fixing ships would help to simplify the ship chartering business but any attempt to simplify the chartering business to the extent of other online businesses i.e. ebay, amazon, uber and careem will yield no fruit. New developments in ship chartering business in coming years of ‘Artificial Intelligence’ will be very interesting and it still remains untested territory not only for shipping professionals but also for institutions i.e. banks and underwriters etc. having large stake in shipping.∎