



commercial shipping employment market review

Introduction

Following on from our February 2009 report looking at the job market for shipping related technical roles, this Faststream report looks at the commercial end of shipping. We have taken an in-depth look at roles such as chartering managers, shipbrokers, claims executives and analysts and examine what has actually been happening on the ground and sentiment in the marketplace between October 2008 and May 2009.

As the shipping market's leading recruiter, we compile data on the people we have placed, their salaries, incentive packages and age profile. Our offices in Southampton, Oslo, Houston, Fort Lauderdale, Massachusetts and Singapore have been busy placing candidates throughout the industry. The picture which has emerged is a mixed one and perhaps not as pessimistic as might be expected in the midst of a global recession and a collapse in vessel earnings across all asset types. There has not been a huge wave of layoffs as there has been in the financial services sector. However we believe that these numbers could increase over the next two quarters of this year as the results of the previous six months turmoil come to the surface. But still companies are all too aware of the importance of experience and understand the need for safe hands to guide them through turbulent times.

Companies are continuing to make critical hires and there are still jobs available for experienced commercial people. Salaries remain stable and there appears to be a general feeling that perhaps the worst is over. However in 2009 few people will expect their bonuses to be anywhere near the levels of the last few

years. A good indicator of the health of the market has been the fact that Faststream itself continues to grow with more recruiters in all of our offices managing a greater workload. Yes, we are one step ahead of our competitors and yes, third party recruitment is growing in popularity in the shipping sector, but still the shipping market continues to provide many opportunities for experienced and commercially minded individuals.

Mark Charman - Group Managing Director



Shipbroking

Has the collapse in freight rates led to a collapse in the job market for independent shipbrokers? Yes and no. On the one hand we have seen a number of shipbroking companies consolidate their operations. Back-office and secretarial staff in a number of brokerages have been shed and those brokers who were not performing well in a strong market have, in many cases, been shown the door. A number of smaller shipbroking firms have folded or are actively seeking acquisition. However, good shipbrokers are always worth hiring and offices in London, Oslo, Houston, Geneva, Stamford and Singapore have been actively seeking to hire experienced star performers.

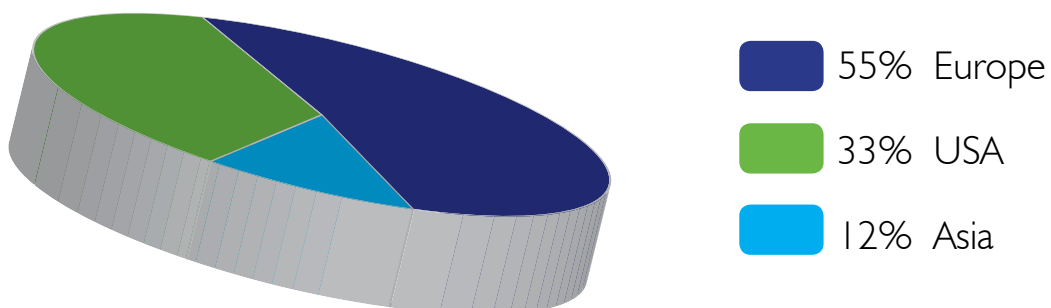
What has changed since this time last year has been the speculative hiring of people. In the boom times between 2003 and 2008 we saw companies take people and expect the business to follow. Decisions on hiring were made quickly and often not from the top. This has changed. Most hiring decisions are now longer more drawn out processes with senior management very much involved, whether the hire is for a new head of the panamax desk or a team

secretary. Our data shows that on average companies are taking nearly nine weeks to make a hiring decision leading sometimes to the candidate feeling “unloved” and walking away from the negotiations, and the employer missing out on the opportunity to take on good talent.

Many of the bigger shipbroking companies are acquiring teams and using the downturn to increase their market share by growing their broker teams.

In the past few months we have placed a number of dry and tanker brokers in a variety of global locations, but the challenge has been the same - persuading individuals to move jobs. In difficult times, it is only natural that candidates require persuasion and a good deal of love to jump ship and move to a new company. It is not just a question of which company offers the best package, but which company offers the best long-term prospects. Many fear that the “first-in, first-out” rule applies and are cautious of taking on a role with perceived poor job security.

Shipbrokers placed by Faststream



Shipbroking

We have seen some very enticing packages being offered to shipbrokers who are not only able to hang their jacket on the door and get the business for the firm on day one, but also have experience of handling the complicated renegotiation of contracts and charterparties which have become increasingly prevalent in the tough market. Equally we have seen some very attractive counter-offers made by employers to keep their top performers.

It is also important to remember however that demographics are working in the younger shipbrokers' favour, particularly those in the middle of their careers. From the late 1970s to the early 1990s there were fewer entrants as the shipbroking industry struggled through some difficult times. Many shipbrokers today are either young with at most only a couple of years of experience of the good times or are reaching retirement age and are hanging up their telephones. This means a number of opportunities will open up for those in their 40s with good experience to take on leadership roles. It will also mean that sooner or later the younger generation will have to be handed more responsibility.

For experienced brokers, base salaries are up as bonus expectations are down. At the less experienced end of the market, more junior brokers are seeing a squeeze on salaries. The average salary for an experienced broker is now £77,240.

Whilst the picture is similar globally, our local offices are reporting some interesting trends. **Singapore** has clearly grown as a commercial maritime centre and is now much more mature. Over the past three or four years, the rush of European and US shipping service companies to the Asia region led to many offices being opened up and staffed by ex-pats from the home office. Today we are seeing these offices

"The feeling with many in Asia is that it will be the first region to bounce back."

Mark Robertshaw
Vice President - Asia Pacific



increasingly backfilled by local staff. Interestingly we are also seeing many European and US citizens taking Singaporean permanent resident status, giving them six months to find a job locally in the event that they lose their position in Singapore.

Even before the downturn we saw many ex-pats reluctant to move back home once a contract had reached its conclusion and many take a pay-cut in order to remain in the region. Singapore is viewed by many as an attractive place to live and work, offering a low personal tax regime as well as good schools, housing and entertainment. However, we expect to see a number of ex-pats return home during the school summer holidays and Singaporean talent to take their place.

The feeling with many in Asia is that it will be the first region to bounce back. Its financial institutions are not lumbered with the same astronomic levels of debt which its western counterparts are and will be well placed to benefit from an upswing in the global economy. The proportion of the global fleet controlled by Asian interests continues to grow. With the face to face business culture perhaps even more important in Asia than in Europe, many shipbroking firms believe that it is still very important to maintain a base in the region.

Shipbroking



"We expect more British companies to open up offices in Norway and compete directly with their Norwegian counterparts."

Christian Lange
Managing Partner - Norway



"Attracting Connecticut based talent to Texas remains a challenge."

Craig Johnson
President - Americas

Our **Oslo** office reports that there are a number of changes on the shipbroking scene in the pipeline and that the era of Norwegian and British co-operation appears to be at an end. More British companies are expected to open up offices in Oslo or on the west coast in the coming months and compete directly with their Norwegian counterparts. At the same time more Norwegian shipbrokers will follow fellow competitors and set up shop in London. Quite what effect the much anticipated re-entry of former Clarksons boss Richard Fulford-Smith will have on this market remains to be seen, but there will certainly be an increase of poaching in the foreseeable future as rivals jockey for position.

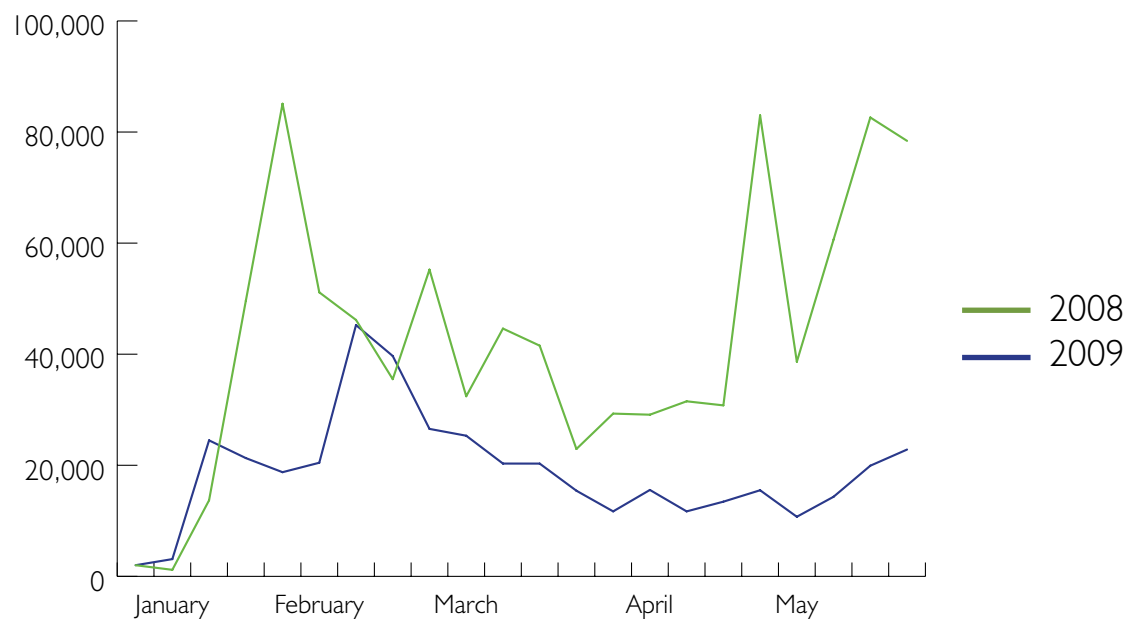
In **Houston** there continues to be a demand for experienced brokers and charterers, but attracting Connecticut based talent to Texas remains a challenge, with many happy to sacrifice a salary and remain on the east coast rather than relocate to Houston. There are signs of increasing optimism in the USA which has experienced a severe economic shock. Generally many feel that perhaps the worst of the recession has passed and that better times are on the way. In the shipping sector, some New York based finance teams have feelers out for commercial shipping teams to run their ships which are now under their control. However, to what extent the senior management of banks will be willing to follow the likes of Morgan Stanley and set up full in-house control of their ships is still uncertain.

SHIPBROKER DATA	
Average age	36
Average salary	£77,240
Bonus scheme	100%
Average weeks to place	7.5
Receiving benefit package	100%
Pension scheme	87%
Healthcare	100%
Car	0%
Other	0%
Years in previous position	3
Region of placement: Europe	55%
Region of placement: Asia	12%
Region of placement: Americas	33%

Freight derivatives

Freight derivative trading has taken a huge hit in the past six months with dry trades roughly a quarter of what they were this time last year. This has had a knock-on effect on the FFA broking market with many brokers having left. Faststream has been speaking to many FFA brokers and traders looking to make a move. Whether or not freight derivative trading picks up as the physical market picks up and reaches the record volumes traded in 2008 remains to be seen.

Dry FFA volumes (lots traded).



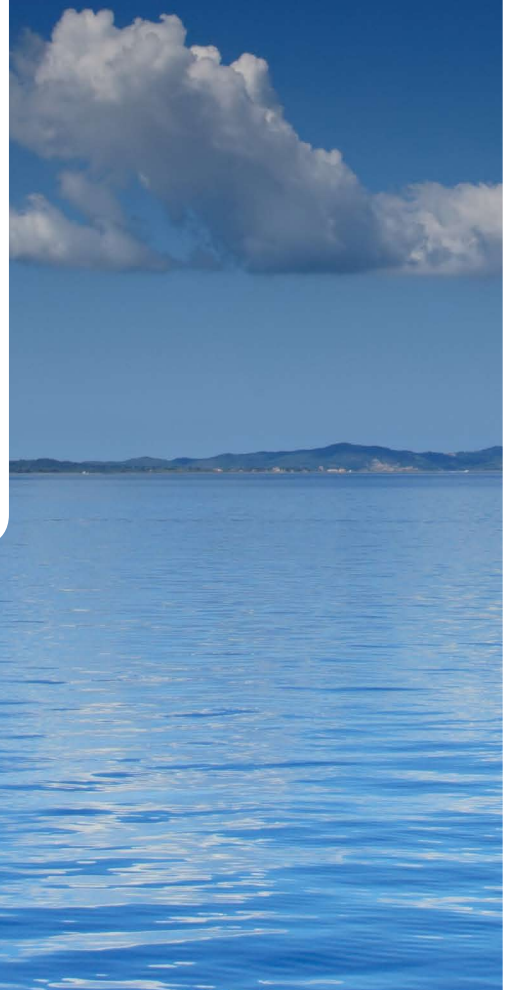
Source the Baltic Exchange

In-house chartering

Like the shipbroking sector, the market for good chartering managers - whether for shipping companies or cargo interests - remains tight. There continues to be demand for good and experienced chartering managers with an eye for detail. Contracts are being scrutinised more closely than ever and experience counts for a great deal in this area.

New shipowning principals are also emerging as steel mills, energy companies and coal miners stung by several years of very high freight rates look to take advantage of cheaper vessel prices and develop an in-house shipping function. Faststream's Singapore office reports enquiries from several new entrants to the market seeking experienced teams to acquire and run these assets.

Salaries in this sector remain stable with the average in-house charterer placed for close to £75K plus bonuses.



P&I claims

Faststream has seen an upswing in P&I club hires after a hire freeze towards the end of last year. The reduction in vessel earnings has seen a return of a back to basics approach with greater focus from shipping companies on reducing costs. One area where attention has fallen is on P&I claims. A good P&I handler can save a company a good deal of money and in recent months Faststream has placed a number of experienced P&I executives on behalf of a range of clients. We expect to see this trend continue throughout 2009.

The client view

Nick Whitear – Marketing Director, Thomas Miller

What has been the impact of recent financial events?

The extraordinary events sweeping the world economy have had a profound impact on financial markets and shipping insurance. Investment returns have moved from a comfortable 5 per cent or more over the past five years to a negative return for 2008. At the same time, P&I clubs have faced unprecedented levels of claims resulting from the recent high levels of shipping activity.

In October 2007, the Club had reported that these levels and the increased size of the world fleet would probably produce more large claims. Record claims on the International Group of P&I Clubs' Pool for the years 2006 and 2007 duly ensued, some of it covered by the outward reinsurance of the Hydra captive. However, 2008 has seen far lower activity on this front which has partially offset the level of retained claims.

Claims within the UK Club's retention of \$7 million continued to increase, by about 11 per cent in 2008 compared with 2007.

Strategy for the downturn?

The UK P&I Club has taken a series of calculated measures to address the rising cost of retained and pooled claims, very low investment returns and the prospect of tighter financial regulation. It has reduced its equity holdings, raised additional capacity for solvency purposes, levied supplementary premiums and set a general increase for the 2009 policy year.

Lessons for the next 12 months?

Financial sector developments of the last six months are leading regulators and governments to consider even higher capital levels than those envisaged initially under Solvency II.

In July 2008, the UK Club was the first International Group club to raise additional capital for solvency, not operational purposes, in the form of \$100 million in hybrid capital at a coupon of 9 per cent. This capital augments the Club's traditional free reserves and counts as capital for regulatory and rating agency purposes. Its issue marked an important step in preparation for Solvency II, which involves significant changes in EC regulation of insurance companies.

P&I claims

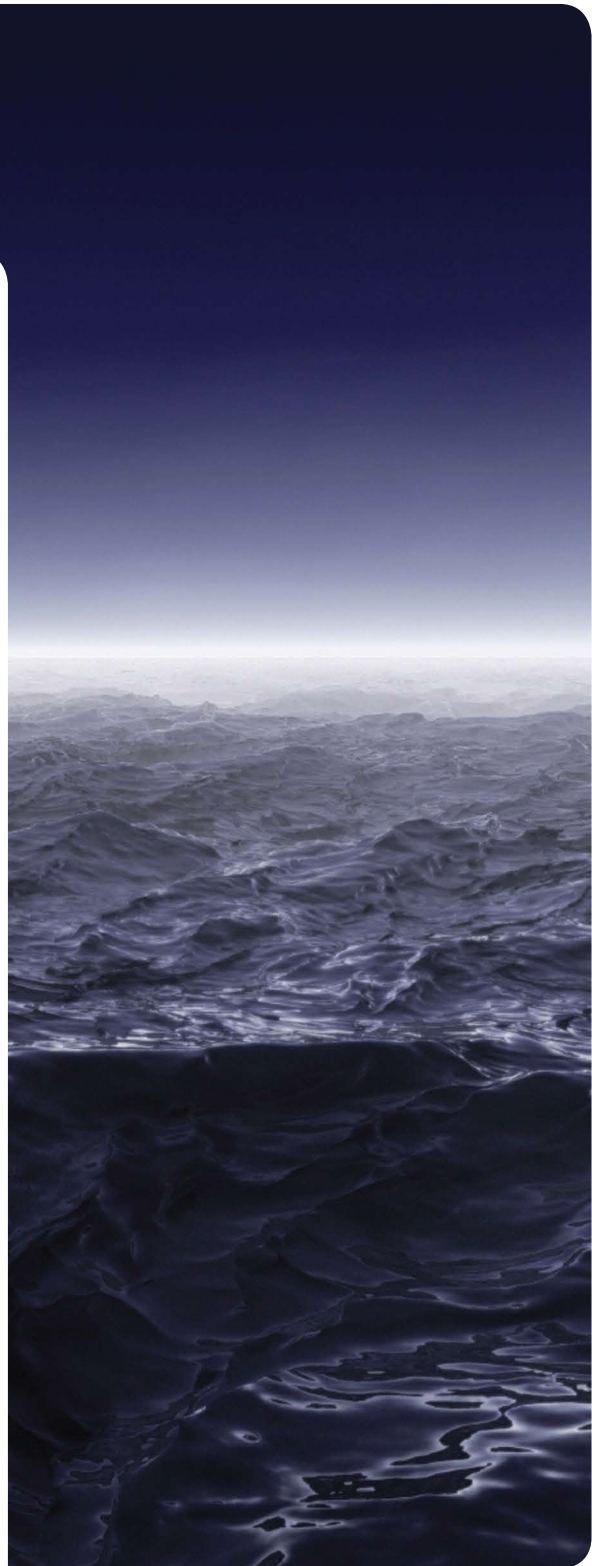
Where do you see signs of improvement?

If the current shipping recession follows the patterns of previous ones, claims volumes may drop substantially.

Even though commodity values have been rising, cargo claims have been relatively stable and the expected upward spike in claims in 2007 and early 2008 did not occur. This may partly reflect the carriage of finished goods rather than commodities but also indicates high operating standards.

There were several large dock and shore installation damage claims early in 2008. Two have been reported to the Pool, with both estimated to cost less than \$15 million. This category can be volatile. As ship utilisation decreases, these types of claim may diminish.

Although the numbers of crew injury claims declined by nearly 28 per cent over 1998-2008, the average cost per crew claim has increased well above normal inflation levels. Escalating crew wages, compensation for crew illness, death and injury, disability payments; and enhanced medical care and hospital costs have driven claims upwards. For illness claims, the average cost rose three times from 1999-2008: \$7,525 to \$22,920. This trend is of major concern to all P&I clubs.



Figures

ALL AVERAGE DATA	
Average age	36.5
Average salary	£65,088
Bonus scheme	90%
Average weeks to place	8.7
Receiving benefit package	95%
Pension scheme	90%
Healthcare	90%
Car	7%
Other	16%
Years in previous position	6.34
Region of placement: Europe	71%
Region of placement: Asia	7%
Region of placement: Americas	22%

GRADUATE ROLES	
Average age	27
Average salary	£29,567
Bonus scheme	100%
Average weeks to place	6
Receiving benefit package	100%

COMMERCIAL ROLES (SHIPPING COMPANIES)	
Average age	38
Average salary	£74,927
Bonus scheme	92%
Average weeks to place	9.4
Receiving benefit package	100%
Pension scheme	87%
Healthcare	100%
Car	8%
Other	17%
Years in previous position	6.34
Region of placement: Europe	84%
Region of placement: Asia	3%
Region of placement: Americas	13%

Figures

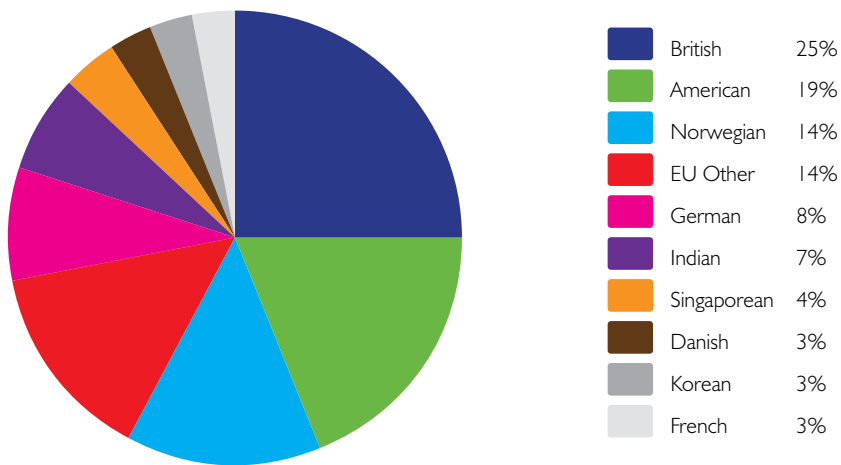
SHIPBROKING ROLES	
Average age	36
Average salary	£77,240
Bonus scheme	100%
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Car	0%
Other	0%
Years in previous position	3
Region of placement: Europe	55%
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CLAIMS ROLES - P&I CLUBS	
Average age	32.8
Average salary	£44,898
Bonus scheme	100%
Average weeks to place	7
Receiving benefit package	100%
Pension scheme	87%
Healthcare	100%
Car	8%
Other	17%
Years in previous position	2.87
Region of placement: Europe	100%
Region of placement: Asia	0%
Region of placement: Americas	0%

Notes

This survey was undertaken by Faststream consultants in Southampton, Oslo, Fort Lauderdale, Houston, Massachusetts and Singapore. The period covered October 2008 – May 2009.

Candidate Nationality



Country of Placement

