

About YPSN

The YPSN monthly newsletter aims to provide you with the latest developments affecting our members in shipping in Hong Kong and broader China.

If you are interested in registering as a member, sponsoring an event or suggesting activities for YPSN to organize, please feel free to get in touch with us on

youngprofessionals.shipping@gmail.com

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Young Professionals Toolbox: Data Fluent?

We are surrounded in a sea of data. Or so we are told. Big Data; two words that have gained much publicity and those linked with it are viewed as innovative and forward thinking. But what is it really? And in an industry as steeped in tradition as shipping, will it really change the undercurrent for those working in it?

Big Data was defined in 2001 as the “Three V’s- Velocity, Variety and Volume”. In their developed forms, Velocity is data being collected in real time, Variety being the technology that amasses the information and Volume being the exponential nature of what is being archived. This definition 15 years ago looked the separate Big Data from the traditional forms of data collected in simple intermittent batches. Since its arrival, early adopters of Big Data have been rewarded first mover benefits and over time, their initial innovations have become standard practice in various industries.

For Example, the shipbroking industry developed their proprietary information systems to get the advantage over their competitors. Algorithms are designed to value ships and freight rates after being supplied with real time trading information, which ultimately creates a more transparent marketplace for the all involved. These data driven operations have already shaped the type of professional targeted by the top brokerages and the effect of big data is both obvious and dramatic.

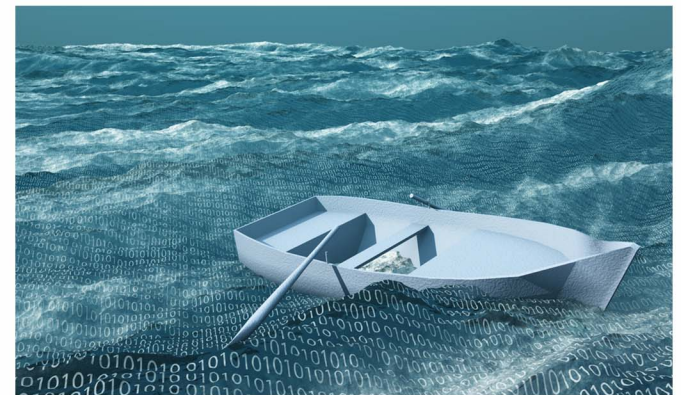
Class Societies have been public about utilizing the huge amounts of data now available to them to tailor their offerings to shipowners. For example, ClassNK launched the “Ship Data Center” last year, aiming to securely “monitor the stress to hull structure during voyages and voyage data for cargo owners.” Similarly, Lloyd’s Register pledged US\$15.25m develop technology that captures the real time condition of both hull and machinery onboard. These developments should improve safety and lower the total downtime allocated for maintenance. Would this change the face of future class surveyors, scouring data rather than panels for abnormalities? This type of monitoring has seen real success in the aviation industry, with Rolls-Royce suggesting up to 70% of their revenue stream comes from the optimized servicing, repairs and replacements from constant monitoring of their engines.

And there are other new opportunities arising in the maritime industry relying on Big Data. One such example is CargoMetrics, a Chicago based quant fund whose mission statement is to “measure everything, and create a real-time map of the global economy”. While this seems bold, advances in ship connectivity and cargo logging make this an altogether expected reality. With this real time information, underlying algorithms aim to predict supply and demand discrepancies then trade commodities accordingly. The modern entrepreneur drawn to shipping is sure to see a very different set of opportunities to those that came before them.

In the background of all these projected successes, shipping can learn from some of the shortcomings experienced by other industries. One such example is the privacy of what is considered sensitive information. In a world that is completely connected, controlling what is being collected will become more and more difficult in the hunt for unearthing insight. More specific to shipping, could physical information being collected on ships become open to manipulation? Over reliance of these systems may end up being the cause of an incident that may not have occurred “the old fashion way”.

So what will the impact of Big Data be? Well in the short term, it will be how willing the management hierarchy embraces change. Collecting and archiving information for analysis is a long term process. There is also investment needed to employ those who can work with the information as well as installing technology for real time, varied information streams. Given this, one should not expect immediate results. However, commercial pressures will all but ensure that over time, these processes will become standard practice.

In conclusion, big data is here to stay. Those in the shipping industry will inevitably need to work with more data but as a result, their decisions should carry less downside, safety standards should improve and opportunities may become more recognizable. However, the ability to analyze information is not nearly enough. Shipping will always remain a relationship, expertise and experience driven industry which cannot be substituted by analytical competency. However, the next generation joining the industry without embracing this brave new world of information may ultimately be left in the past. Being data fluent will one day be an absolute requirement, but as a complement to the well rounded shipping professional.



JUDICIAL MANAGEMENT: "FLORENCE NIGHTINGALE" TO A VULNERABLE COMPANY?

The 60% slump in oil prices over the last two years has caused a major downturn in the oil and gas industry, which in turn has led to many Singapore companies taking drastic measures to cut costs. Unfortunately, some companies remain unable to satisfy their debt obligations and have consequently been wound up.

The two latest victims of the oil slump are Swiber Holdings Pte Ltd and its subsidiary, Swiber Offshore Construction Pte Ltd (collectively "Swiber"), which applied to wind up on 28 July 2016. Yet days later, they withdrew from winding up and instead applied to place themselves under Judicial Management ("JM").

Two questions come to mind - What is JM? And why did Swiber opt for it instead of winding up?

It is not surprising that JM is one of the lesser known alternatives to winding up. It was introduced in Singapore in 1987 after Pan Electric Limited, a public-listed company, collapsed and caused the Singapore Stock Exchange to close for three days. It was then decided, like in the United Kingdom administration regime, that viable companies should be given breathing space to reorganize its affairs under the Court's supervision and potentially be restored to profitability.

The breathing space is created from the immediate moratorium on any legal action against the company once the JM application is made. This means that no resolution can be passed to wind up the company, no legal action can be commenced against it and creditors cannot take steps to enforce any security over the assets unless with the leave of the Court.

The Court will grant the JM order if it believes that the company can be nursed back to financial health. For this, it must be shown that the company is or will be able to pay its debts and that there is a reasonable probability of rehabilitating the company or preserving a part of or all of its business. The interests of the creditors must also be considered to be better served than if winding up were resorted to.

The Court will also appoint the judicial manager usually nominated in the JM application, unless his appointment is opposed by a simple majority of creditors in number and in value. The nominee must be a public accountant who is not the auditor of the company.

The judicial manager then takes control of the company and the powers of the directors will cease. Once in control, the judicial manager has 60 days to make a rehabilitation proposal and convene a meeting of the creditors to consider the proposal.

A creditor intending to vote must lodge a proof of debt. A creditor may not vote in respect of any unliquidated or contingent debt, or any debt the value of which is not ascertained, nor shall a creditor vote in respect of any debt on or secured by a current bill of exchange or promissory note held by him unless he is willing to treat the liability of other parties on the note as a security and deduct those liabilities from his proof for purposes of voting.

The proposal must be approved by the majority of creditors in number and value. If approved, the proposal will be implemented by the judicial managers. If declined, the court may discharge the JM order or make interim orders as it thinks fit.

In practice, the JM regime has not secured a very successful track record. Between January 2001 and December 2010, only 27 of the total 124 JM cases were successful and the other 78 cases were unsuccessful, dismissed or withdrawn.

This could be because secured creditors know that they will not be able to enforce their security if the company is under JM. Even when in JM, it may not be easy to get the majority of creditors (in number and value) to agree to the rehabilitation proposal. In the meantime, the company attracts negative publicity which in turn adversely affects employee morale and shareholder confidence.

There are however more advantages to JM. First, in winding up proceedings, unsecured creditors usually have little hope of recovering the debt in full as they have to wait for the secured creditors to be paid first, before then sharing equally the remaining funds (if any). With JM, the judicial manager will try to realise the company's assets at maximum value thereby giving the creditors the opportunity to recover a greater proportion of their debt. Second, the immediate moratorium imposed on the company ensures that there is little or no risk of asset depletion. Last, as they are the ones voting on the rehabilitation proposal, the creditors have the ability to influence the next steps that the company should take. Most importantly, with JM, the vulnerable company has a chance to be nursed by to health, much like Florence Nightingale tending to her patients.



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simple philosophy of

keeping things simple,
the site is very user
friendly. There are plans
for the site to provide
services for start-ups.
Entrepreneurs, stay
tuned!

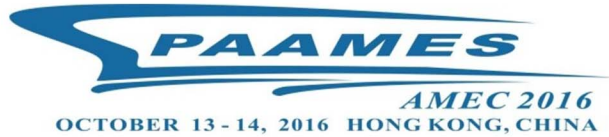
Industry Events



YPSN 5th Anniversary Social
9th September 2016
From 6:30pm
Beef and Liberty Bar, PMQ Building,
35 Aberdeen Street, Central
RSVP at youngprofessionals.shipping@gmail.com



Asian Logistics and Maritime Conference
22nd-23rd November 2016
Hong Kong Convention & Exhibition Centre
Contact: almc@hktcdc.org



Pan Asian Association of Maritime Engineering Societies
13th-14th October 2016
The Hong Kong Jockey Club
Contact: Conference@hkimt.org.hk



Supply Chain & Logistics Professionals – Networking Mixer
1st September 2016
HMV Bar and Restaurant, Causeway Bay
Contact: SCLP@markmillar.com



Hong Kong Maritime Law Association Summer Dinner
7th September 2016
Hong Kong Country Club, Deepwater Bay
Members \$595, Non Members \$645
Contact: secretary@hkmla.org