

# Fight Between Commodities Giants and Shippers Leaves Seafarers Stuck

The big players have agreed to prioritize relief for exhausted ship workers. Why are so many still stranded?

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A standoff between commodities giants and shipping companies is prolonging the labor crisis at sea, with an estimated 200,000 seafarers still stuck on their vessels beyond the expiration of their contracts and past the requirements of globally accepted safety standards.

In an effort to keep deliveries of food, fuel and other raw materials on schedule, some of the big commodities firms are avoiding hiring certain vessels or imposing conditions that may block relief for exhausted seafarers. The companies are trying to steer clear of crew changes, which have become far more expensive and time-consuming during the coronavirus outbreak. In an effort to keep shipments on schedule, some firms have asked their shipping partners to guarantee that no change will take place, according to emails and contracts reviewed by Bloomberg.

Those requirements risk worsening a labor crisis already in its 12th month, according to ship owners, labor unions and the United Nations. More than a year into the pandemic, hundreds of thousands of mariners are long overdue for shore leave. Some have been working without pay or a firm plan for repatriation, and many have taken desperate measures: in one instance, a captain diverted his ship to the middle of the ocean and refused to return to course without a guarantee of relief.

Prior to the pandemic, a ship owner could bring in new crew during routine port stops. That common practice has become a logistical nightmare with Covid border curbs. Some ports require lengthy quarantines for incoming and outgoing workers, others turn away vessels that have changed crews within 10 to 14 days over fears seafarers could spread the virus.



Anchored ships are seen miles away from the port of Piraeus, near Athens. Relieving crews during the pandemic has become a logistical nightmare, with unpredictable delays for ships and quarantines for incoming sailors.

Photographer: Petros Giannakouris/AP Photo

In January, around 300 companies, including Vitol Group, the world's biggest independent oil trader, and Australian mining behemoth Rio Tinto Group, signed a pledge to take action to resolve the crisis for seafarers. Called "the Neptune Declaration," signatories recognized a "shared responsibility" and promised increased collaboration between ship operators and charterers to facilitate crew changes.

As of now, though, some ship owners and labor advocates say little has changed, and not all of the biggest charterers signed on. "We chose not to sign because we believe that our current practices in respect of crew changes are fair and fully respect the need for regular crew changes," said a spokesperson for Equinor ASA, a major oil, gas and energy company based in Stavanger, Norway. "We do not charter vessels for any voyage if a crew change will be required that cannot be accommodated in our delivery schedule."

Exxon Mobil Corp., the largest U.S. oil and gas producer, has also declined to sign. A spokesperson said the company is "considering next steps."

The pact is "a work in progress," said Rajesh Unni, a captain and chief executive officer of Synergy Marine, which manages more than 375 ships including container vessels and commodity carriers. Shipping has always had competing interests, he said, but companies that sign the Neptune Declaration "at least commit that they will then follow the standard protocol, which should then give you a lot more comfort that now we're all on the same page."

## **What you need to know: Tracking the Labor Crisis at Sea**

The fight over who should pay for the higher costs of crew changes is most acute for commodities companies and their shipping partners, which carry out what are called spot charters. Crewed vessels available on demand for anywhere from a few days to several months, spot charters make up 85% to 90% of dry bulk and tanker shipments in the commodities industry, according to industry group BIMCO.

Some companies have stipulated no crew changes or asked for verbal guarantees before hiring a charter, according to emails and contracts reviewed by Bloomberg. Charterers have also used questionnaires to learn whether ships are planning crew swaps, according to ship owners. In one instance, a ship owner told Bloomberg, in order to secure a charter with Rio Tinto, he had to extend workers' contracts, paid additional salary and promised to relieve them when the voyage was complete. He also had to confirm that no crew change was planned for the duration.

"Rio Tinto does not use 'no crew change' clauses in chartering contracts," the company said in a statement. "Rio Tinto aims to support the shipping industry and the human rights of the seafarers on which it depends. This requires collaboration between ship owners, who employ the seafarers, charterers and regional port authorities around transparency of information and flexibility on schedule."

The problem, labor advocates and seafarers say, is that the workers don't have a choice either way. Ship captains often hold the passports of their crew – a convenience for port stops, they say – and ports are tightly controlled borders. Even if a worker wanted to walk away from his vessel, he wouldn't get very far without a passport, a visa or a plane ticket home.

The International Transport Workers' Federation, or ITF, which represents seafarers, is calling on the industry to do more to alleviate the crisis.

"There are still charterers rejecting charters unless they are given assurances that crew changes don't take place," said Stephen Cotton, ITF general secretary. "It might not be as blatant as putting it in writing, but it's still going on. As long as seafarers' lives remain secondary to companies' profits, this crisis will continue to unfold."

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The industry says it is the responsibility of ship owners to arrange crew changes and to ensure the safety and well-being of the seafarers on their vessels. BIMCO has encouraged charterers to share the costs of crew changes and developed contract language that requires companies that hire vessels for a fixed period of time -- called a time charter -- to do just that. Owners of ships available for spot charter, the group said, should change crews when the ship isn't out for hire.

Labor and industry groups want companies to be more flexible and allow tankers and dry bulk vessels to divert or delay deliveries to help alleviate the crisis in stranded mariners. Shareholders, too: A group of 85 investors that manage more than \$2 trillion of assets, including Fidelity

International, said in January that frequent charterers should be flexible about enabling crew changes and should consider providing financial support for mariners who need to be repatriated.

“Charterers at this point do need to share costs and assume the delays they might face,” said Laura Carballo, head of maritime law and policy at World Maritime University in Malmo, Sweden. “That’s their biggest argument: it’s about the delays. Sorry, we’re all facing delays right now. The world is only running because seafarers are doing their job.”

Wichita, Kansas-based Koch Industries, which has interests spanning petroleum and agriculture, has instructed ship owners not to conduct crew changes while under charter, according to a person with direct knowledge of the terms and who asked not to be identified because the conversations were private. The requests were delivered verbally, not in writing.

In response to questions about the stipulation, the company responded in a statement: “Koch works closely with vessel owners to ensure the safety and wellbeing of crew members. This is an issue we are watching closely and looking for ways to resolve.”

Rotterdam-based Vitol has required ship owners not to make crew changes on some spot charters, according to people familiar with the company’s contract terms who asked not to be identified because they weren’t authorized to speak publicly. Vitol says that it has “sought to manage our shipping business in line with the standards outlined in the Neptune declaration.”

“Wherever commercially and operationally possible we facilitate crew changes,” company spokesperson Andrea Schlaepfer said in a statement. “As a vessel owner and manager Vitol appreciates the challenges of the current situation but believes that with good management owners can maintain high standards of seafarer welfare.”

The Neptune Declaration also calls on world leaders to change their port and border policies to ease the burdens on seafarers, following a September statement from consumer companies including Unilever Plc and Procter &

Gamble Co. to do the same. Last month, the IMO recognized 55 countries that agreed to consider seafarers “essential workers” and encouraged nations that hadn’t yet to do so. That designation has no official definition, and the countries weren’t specific about what if any change it would bring to the port procedures.

On Friday, the shipping industry raised concerns that, while the number of seafarers stranded has dropped since its peak, the improvements could be short-lived as governments and port authorities respond to the threat of new Covid-19 variants with stricter restrictions. Seafarers, many of whom are from developing countries, may also miss out on the ongoing vaccination drives, risking further delays and supply chain disruption.

“The crisis is still ongoing,” said Guy Platten, secretary general of the International Chamber of Shipping, which represents more than 80% of the world’s merchant fleet. “Governments will not be able to vaccinate their citizens without the shipping industry or, most importantly, our seafarers.”

— With assistance by Andy Hoffman, Michael Tobin, and Alaric Nightingale