Peter Sand holds a Master’s Degree in Economics for the University of Copenhagen and is Chief Shipping Analyst at BIMCO (Baltic and International Maritime Council), which he joined in 2003. In this position he is responsible for analysing the commercial markets for dry and liquid carriers and for shippingfinancials. Peter talks to Gibraltar Shipping providing more insight on his role and views on current shipping trends.

As Chief Shipping Analyst at BIMCO, what do you enjoy most about your role?

That the whole world is my playground. As an economist now working in shipping, I am spoiled for choice every day in my position at BIMCO, on what to analyse today. So many things are happening in many different countries, of which not all relevant for shipping, that is how the initial selection is done. Know what matters to shipping, and what doesn’t. Sometimes it is important also to discuss things that do not matter, and to convey the message that’s the case. BIMCO Market Analysis, is taking its output in the global economic development, because the demand for shipping is a derived demand. Then we “translate” the drivers into shipping demand, and combine it with the supply side information to have a better understanding of the shipping market. Where it comes from, where it is today and what the future will bring around. It’s getting increasingly difficult.

Your market reports are highly regarded by the shipping community. How do you start building a report and how do you manage the different sources of information and their veracity?

BIMCO Market Analyst. And this is true in general, as a core value. BIMCO analyse the market for the industry, in order to understand it fundamentally. From that view we form our unknown opinion, as we believe what it is that the industry needs. The only agenda we have is to service our members and to convey the message that’s the case.

What are the key variables affecting shipping freight rates in the current market?

It is the same “2 times 5” fundamental variables that have always affected the freight rates. On the demand side we have: world economy, seaborne trade, average haul, random shocks and transport cost. On the supply side we have: world fleet, freight revenue, freight rate, freight market, freight market, freight market. As a report writer, we have a “new normal” in shipping, but that means that we have to get used to slower growth rates and adapt to that in our decision making. In terms of the freight rate mechanism, an oversupplied market finds it equilibrium freight rate on the elastic part of the supply curve. An example of this, is the current dry bulk market. When all ships are in service and operate at a normal speed level the supply side is oversupplied. This summer, the actual freight demand was lower than supply. An example of this is the current crude oil tanker market. Supported by my good colleagues in BIMCO and their understanding abilities, I am fortunate to teach at Danish Shipping Academy. We start work on your relations today. Currently, Africa as such is not a big market. If you look beyond some specialized trades and the important sweet crude oil exports out of West Africa. But a future one told me not to underestimate Africa. Surely, I am not doing that, but mostly putting things into perspective. I point to the fact that the entire African continent has a GDP of the same size as Italy. We need to be a bit further down the road before Africa as such becomes a driver in the shipping market. Until then, we will monitor the developments closely.

What are the current challenges for shipping lines securing credit to finance vessels acquisition? Do ship owners have many finance options to choose from?

We have just passed the 7th “anniversary” of the Lehman Brothers crash. Event that changed everything, also as regard to ship financing. Before the crisis, it appeared as if banks and other lenders did not put the right price on risk, meaning that you could obtain the same conditions regardless of whether your newbuilding would go directly into a 10-year time charter with an A-rated financially rock solid counterpart or trade fully in the spotlight market at its mercy. Today, the price-setting of risk has “normalised”. Many of the lenders now have to hold higher reserves if they want to lend out to shipping interests, due to regulation. In Basel II as well as a more cautious approach to shipping lending as the bank attach a higher risk to the shipping industry today than it was the case before. This means financing is more expensive and more difficult to get. In theory, this development has resulted in ship owners seeking financ- ings elsewhere and there are many options to choose from e.g. bond issues, private equity, Export Credit Agencies etc. Bank lending however, remains the preferred option as few ships are attached to it. While financing surely is more difficult to obtain today, you cannot say those difficulties have resulted in a significantly lower number of newbuilding orders.

When will we see LNG being offered to the shipping industry as a fuel next to oil bunkers everywhere. That’s why remembering M/S Selandia becomes in perspective – eventually it will happen.

As a shipping centre, what would you highlight about Gibraltar and what you would consider its main benefit?

It’s unique location where the Med meets the Atlantic, in the middle of continents and trading lanes and a shipping centre with more and more services being added as we go along. Gibraltar has the fundamentals in place to become an even more important player in the market in the future.

What attracted you to the shipping industry in the first place?

I love economics and geography and have a general interest in understand- ing what goes on everywhere in the world. In our industry these are key ingredients. As a finance person, this industry attracts all kinds of people, all kinds of backgrounds and we come from all over the world. In common, we have adventure. We have spent a decade in shipping. I take pride in being a part of the global family that our indus- try truly is.

Apart from your role as Analyst, you also teach maritime training. How important is training and development in this industry?

I would say it’s all important. For seafarers as well as landbased. Knowledge needs to be passed on the next generation of shipping people. BIMCO has a lot of family-owned businesses in our membership and for them passing on a lifetime of experience and knowledge onto the sons, daughters, and other relatives or partners etc. is essential. You can only pass on so many things. BIMCO assists generations with “all the rest”. Be it technical guidance, contractual knowledge, education or our vast database of information, the BIMCO staff is ready to service members across the shipping industry.

Personally, I really enjoy sharing what I know and how I see things. This goes for my relations with tramps as it goes for CEO’s. Nevertheless, it’s equally important also to be able to listen, as you may well learn some- thing new or get different aspects on the matters at hand. As an analyst your window into the world of seaborne shipping doesn’t necessarily need adaptation to some degree. By the same token, the bank, the ship manager or the ship owner. Sharing our views and the ability to listen to that of others, is key to a better mutual understanding.

Your favourite book: As a professional it’s Stopping’s Maritime Economics. You take some- thing new with you every time you read it. As a private person – I am a sports fan, crazy about motor sports, football and cycling. Right now I speed-read the memories of a life on a bicycle, by the former cycling professional with Team Telekom etc. Brian Holm. The book is called “Enjoy the pain” (Originally: Smerten på gangen). Full of humour and insights from an enclosed world. After reading his more recent book this summer, which was focused on his year with ups and downs, as sporting director with HTC Highroad in the year 2011, ending with Mark Coven- dish becoming the World Road Cycling Champion and the disovert of HTC-H lovely, I needed more – and I got it.

Your favourite ship: As a professional it would be the Panama dry bulk carrier Nord Naviga- tor. She took me on a journey from Hamburg to Svange on Svaband in November 2014. This was a huge experience and it brought me a richer picture of the entire industry, from discharge to loading, enjoying extraordinary hospitality on board as I got to know the entire crew, during their daily work. Admittedly, we did also share a few songs on the karaoke machine. Wonderful people. In many ways this journey also embodied what shipping is all about – relations. Thanks to my former colleague at D/S Norden for given this opportunity and making it happen.

As a private person, it would be my kayak, or rather my kayak club! This summer I took my licence pruning that I had obtained the basics of how to handle such a “ship”. Being on the water is a necessity, you need to be fully focused – physically as well as mentally. If you’re not, you’ll end up in the lake. During my training I earned the nickname: “pool answer”. It was due to multiple capsizing. Today I normally stay in the kayak. 

Thanks for giving me this interview opportunity.